MULTINATIONALS, THE STATE, AND THE MANAGEMENT OF ECONOMIC NATIONALISM IN MINOR MINERAL-PRODUCING COUNTRIES: THE CASE OF TRINIDAD

By

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by
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To
My Parents, Ranjit and Anjani Singh,
and
My Brother, Anand

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MULTINATIONALS, THE STATE, AND THE MANAGEMENT OF ECONOMIC NATIONALISM IN MINOR MINERAL-PRODUCING COUNTRIES: THE CASE OF TRINIDAD

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This study examines the opportunities and means available to a small mineral-producing Third World country to improve its bargaining position with the multinational corporations involved in the extraction of its minerals. Trinidad, which is a small producer of petroleum, is used as an illustrative case study. The data analyzed in this study were obtained from historical documents, newspapers, political party and labor literature, and elite interviews conducted in Trinidad over the period January 15, 1982, to April 25, 1982.

This study finds that nationalization of the multinationals involved in its mineral industry is not a feasible option for the small mineral-producing Third World country. The small size of the mineral reserves adversely affects the development of indigenous expertise in the exploration, production and marketing aspects of the mineral industry. The host country's initial dependence on the

foreign investor for technological, managerial and marketing expertise is, therefore, likely to be maintained for the duration of the concession agreement.

Nationalization as a host country option is also deterred by the cost of compensation compared to the expected flow of profits from the industry under conditions of local ownership and management, by developmental pressures and the need for a steady stream of revenues from the industry, and by the vulnerability of the host government to sanctions from the foreign investor's home country, as well as from the international investing community. However, given the dependence of the host country on the foreign investor, the threat by the latter to uproot its operations becomes a very potent bargaining mechanism. Thus, in its bargaining with the foreign investor, the host government will try not only to increase its share of the revenues but also to keep the foreign investor operating in the country. The ability of the host government to achieve these goals depends on its ability to manage its domestic politics.

CHAPTER I

MULTINATIONALS IN MINOR MINERAL-PRODUCING COUNTRIES

Introduction

The role of multinational corporations (M.N.C.s) in developing countries has been the subject of intense academic interest. Two polar schools of thought are discernible.[1] The first sees the M.N.C. in very benevolent terms. The M.N.C. is seen as making enormous contributions to the host country's economy by providing employment, by contributing to government revenues through the payment of taxes, and by providing a ready export for the country. Further, the M.N.C. is presented as the most promising instrument for the transfer of capital to the developing countries and as a transmission belt for the diffusion of technological and managerial skills to these countries

The other school of thought sees the M.N.C. in exploitative terms. The M.N.C. has acquired a bad reputation for tax evasion, for stifling local enterprise by its sheer size and scope, and for failing in its promise to diffuse technological and managerial skills to the host country. Moreover, the M.N.C. seems capable of wielding a tremendous amount of political influence within the host country and, by so doing, aggravating internal tensions and stimulates nationalism.

It is not surprising that a central issue in the North-South conflict is the multinational corporation. The developing countries

would like to impose an international code of conduct upon the M.N.C.s, thereby acquiring for themselves some measure of control over these economic giants. So far, this goal has proved to be highly elusive and, at least in the short term, developing countries are constrained to seek ways of improving their position vis-a-vis the M.N.C.s, within the present international framework.[2]

Purpose of the Study

This study is concerned with the relations between mineral-producing Third World countries and M.N.C.s involved in the extraction of these mineral resources. The principal focus, however, is on the small mineral producer[3] whose economy depends critically on its mineral-exporting sector. The study analyzes the opportunities available to a developing country, with a limited natural resource base, to improve its bargaining position with the M.N.C.s involved in the extraction of its sub-soil resources. Trinidad-and-Tobago[4] is used as an illustrative case study.

Trinidad is a small petroleum producer. The petroleum industry has always been dominated by multinationals. The study examines the opportunities and the means that have been available to the Trinidadian government to upgrade its bargaining position vis-a-vis the oil M.N.C.s, within a domestic context in which the government also seeks to placate its supporters and to disarm its critics. The study utilizes a bargaining approach (elaborated below) to examine the relationship between the Trinidadian government and the foreign investors in the oil industry over the period 1956-1981.

Trinidad is a particularly interesting case. While the government[5] of that country has never committed itself to a program of nationalization, it has, in fact, nationalized several foreign enterprises. However, it has not nationalized its oil industry even when international conditions seemed propitious for such action and when domestic groups were clamoring for outright nationalization. This study will also examine governmental responses to domestic pressures for nationalization.

The Concessions Process

Two perspectives dominate the literature on host-foreign investor relations: the dependency and the bargaining perspectives. In this section we will present the basic arguments of these respective schools as they relate to multinational corporations involved in mineral extraction in developing countries.

As Ronald H. Chilcote points out, there is no unified theory of dependency. What is called dependency theory is, in fact, a variety of "theoretical tendencies," advanced to explain Latin American underdevelopment.[6] Dependency theory will be discussed within the Latin American regional context, though it should be pointed out that dependency theory has acquired much wider application.

Raul Prebisch is widely regarded as the father of dependency theory. Prebisch, who headed the United Nations Economic Commission for Latin America (E.C.L.A.) in the 1940s and early 1950s, presented one of the earliest analyses of Latin American underdevelopment. The E.C.L.A. model, as it became widely known, divided the world into two

groups of countries--an industrial center and a periphery consisting of countries producing primary commodities. According to the model, from the late 19th century until the late 1930s, the terms of international trade ran against countries exporting primary products. This stemmed from a low income elasticity of demand in center countries for primary commodities and a high income elasticity of demand in periphery countries for industrial goods. E.C.L.A. recommended import-substitution industrialization as the way out of the disadvantageous position in which primary exporting countries found themselves. It was felt that the emergence of an industrial bourgeoisie in periphery countries would weaken the traditional oligarchies entrenched there. Import-substitution industrialization and an agrarian reform program could effect income redistribution and a greater incorporation of the lower classes into Latin American economies. The E.C.L.A. analysis also stressed the necessity and desirability of foreign investment and foreign aid because it was felt that Latin American countries could not, on their own, generate the magnitude of capital required to implement the industrialization program.[7]

While the E.C.L.A. thesis has been seen as correctly linking Latin American underdevelopment to the international economic system, it has been criticized as being only a partial explanation of Latin American underdevelopment. Susanne Bodenheimer has identified three major shortcomings of the E.C.L.A. thesis. First, the E.C.L.A. explanation relies too heavily on the nature of traditional Latin American exports and fails to examine the conscious policies and

specific needs of the industrialized center countries. Second, the E.C.L.A. explanation mistakenly attributes Latin America's retarded industrialization to "traditional" or "feudal" oligarchies, when in fact, Latin American society since the sixteenth century has been mercantile. Also, the assumption that an indigenous industrial bourgeoisie would be developmentalist, progressive, and nationalist has not been borne out by historical experience. Third, import-substitution industrialization has accentuated the dependence of Latin American countries on the international system.[8]

The Marxist school of dependency theory emerged as a result of a general dissatisfaction with the E.C.L.A. model. Andre Gunder Frank was one of the earliest contributors of the Marxist school of dependency. Frank was also responding to North American theories of development, particularly the stage theory of W. W. Rostow.[9] Rostow had argued that economic development occurred in a succession of stages and had delineated five stages from a traditional society to one of high mass consumption.[10]

Frank rejected the stage theory of development and instead argued that the same historical process, namely the development of capitalism, that generated the development of the "metropolitan" (center) countries also generated the underdevelopment of the "satellite" (periphery) countries. Frank saw foreign investment as an instrument for the extraction of capital from the underdeveloped satellites rather than as a mechanism for stimulating development. Frank suggested that economic development in the satellite countries

could only occur if the existing structure of metropolis-satellite relations were overthrown.[11]

Bodenheimer has criticized Frank's thesis for being unidimensional in the sense that it ignores other aspects of the metropolis-satellite relations such as the ideological hegemony of the dominant nations and of the local clientele elites. She argues that the international system also causes underdevelopment indirectly by creating and reinforcing within periphery countries an "infrastructure of dependency." The infrastructure of dependency consists of certain institutions and social classes that function in a manner that serves the interests and needs of the center countries. She identifies these interests and needs as those of the center-based multinational corporations which she sees as the main units of imperialism. She also sees imperialism and dependency as two names for the same system --a capitalist economic order. The dependency model provides a view "from below" while the theory of imperialism provides a view "from above." Bodenheimer argues that in order to break the chains of dependency, not only must Latin American nations sever their ties to the international system but they must also dismantle the internal infrastructure of dependency by a socialist transformation of their own socio-economic order.[12]

Dependency theorists also distinguish among the various historical patterns of dependence. Dos Santos, for example, identifies three patterns of dependency. The first is "colonial dependence" in which commercial and financial capital in European countries enjoyed a trade monopoly with their colonies. The colonies

provided foodstuffs and minerals to Europe and the colonial elite provided a market for European manufactured goods. The second pattern of dependence Dos Santos calls "financial-industrial dependence." This is characterized by the domination of big capital in the center countries and its expansion into the periphery through direct investment in the production of raw materials and agricultural products for consumption in the center countries. The third form of dependence became consolidated in the post-World War II period. This is the "technological-industrial dependence," based on the movement of multinational corporations into the manufacturing sector of periphery countries. The industries into which the multinational corporations invest are geared to the internal market of periphery countries.[13]

The two current forms of dependence are the "financial-industrial dependence" and the "technological-industrial dependence." In both forms, the multinational corporations are the principal mechanisms for perpetuating the dependence of the periphery. Financial-industrial dependence involves multinationals with expertise in extractive industries or in agro-business. Dependency theorists argue that when the markets for the agricultural or mineral commodities disappear, the periphery countries would be abandoned to their own devices.[14] In the case of technological-industrial dependence, in which multinational corporations are involved in the manufacturing sector of the periphery countries and produce for the internal market, dependency theorists have begun to speak of dependent development.[15] The argument is that multinational corporations see their interests as linked with some amount of development within the dependent country. They recognize

that a moderate amount of income distribution would create a larger internal market as well as act as a safeguard against political instability. Cardoso calls this process "associated-dependent development"[16] while Bodenheimer agrees with O'Connor that such development is a form of welfare imperialism.[17]

In a similar vein, Wallerstein[18] sees the more advanced cases of "dependent development" as essential to the smooth running of the capitalist world economy. In his tri-modal stratification of the capitalist world economy, these countries form the semi-periphery, the middle stratum between the core and the periphery. The semi-periphery exploits the periphery but is itself exploited by the core. It is essential to the smooth running of the capitalist world economy because it deflects anger and political rebellion from the periphery, and serves as an attractive investment site when wages are rising too rapidly in core countries.[19]

Wallerstein sees the multinational corporation as a key mechanism in the expropriation of surplus value by the core areas from the rest of the world economy. However, the multinational corporation can also play an important role in transforming a periphery country into a semi-periphery one, or a semi-periphery country into a core country. Wallerstein views the issue of nationalization in world-systemic terms. Unlike dependency theorists, he does not see nationalization of foreign enterprise in periphery and semi-periphery countries as altering the essence of the capitalist world economy. He argues that as long as these countries participate in the world market, nationalization of a foreign enterprise in any one of them merely

creates a state-owned capitalist enterprise and the country remains a part of the capitalist world-economy.[20]

We will now summarize the dependency view of the relationship that exists between the host country and the foreign investor. Dependency writers propound the inevitability of conflict between the developing host country and the M.N.C. They see the M.N.C. as the principal mechanism by which the advanced capitalist countries penetrate and exploit the economies of Third World countries. A direct result of this penetration is that the development of the Third World host-countries becomes subordinate to the development of the advanced capitalist countries.

The dependency approach does not admit that bargaining of any importance occurs between the host country and the foreign investor. Negotiations between the host country and the foreign investor, insofar as these occur, dwell on marginal issues and do not usually address the crux of the problem, which is that the decision-making centers of the M.N.C.s are located outside of the host country. As a consequence, decisions are made in corporate board-rooms overseas that seriously affect the host country, but that do not take into consideration the developmental priorities of the latter. The prescription that emerges from the dependency perspective calls for the nationalization of foreign enterprise by developing host-countries as part of their overall effort to rupture the structure of dependency.

However, nationalizations are not occurring everywhere, and as Paul Sigmund points out in the context of Latin America, even in those

countries where nationalizations have taken place, an equilibrium position seems to have been reached, one that allows for the operations of foreign investors. This equilibrium position is a mixed economy and it seems to indicate that Latin American policy-makers do not necessarily accept either the inevitability of conflict or the automatic harmony of interests upheld by advocates of free enterprise.[21] Because of this situation, the dependency approach is not very useful in shedding light on the interactions that continue to take place between developing host countries and foreign investors. It is not a useful predictor of the changes in the terms of exchange that take place between the two principal parties and that are the results of periodic renegotiations. Bargaining theory, as we will see, fulfills these functions more adequately.

Bargaining models may be divided into two groups: static bargaining models and dynamic bargaining models. Static bargaining models emphasize the initial negotiations that take place between the host government and the foreign investor, each of which exercises control over resources that the other needs, while dynamic models incorporate change over the life of the agreement.[22]

The model proposed by Robert L. Curry and Donald Rothchild fits the genre of a static bargaining model. Based on an examination of the experiences of African governments with multinational corporations, Curry and Rothchild propose a bargaining model in which "impatience" and "reciprocal demand intensity" are the key variables used to explain host government-M.N.C. interactions. The authors argue that a prospective host country's impatience to conclude a deal

with the M.N.C. usually results in an arrangement in which the benefits to the government fall short of what they might have been if the negotiations had been more protracted. The authors do not explain the sources of the government's impatience. One is left with the impression that the government is impatient or it is not, and that the consequence of impatience is a contract that is unfavorable to the government. The second explanatory variable in the model is called "reciprocal demand intensity" and involves a comparison of the relative intensity between the state's desire for what the foreign firm has to offer and the firm's desire for what the state has to offer. In a particular bargain, the greater demand intensity on the part of the state arises from the absence of alternative firms, local or foreign, with which the state can negotiate. The final contract reflects the state's impatience for a deal as well as the relative intensity with which it desires the resources at the disposal of the M.N.C.[23]

The principal deficiency of the Curry-Rothchild model, as it applies to mineral-exporting economies, is that while it might explain some of the initial conditions surrounding the entry of the M.N.C. into the developing country, it ignores the question of renegotiation of the original contract. The concession agreement is usually for an extended period of time, and as Smith and Wells point out, the initial negotiation of the contract is merely one step in a process of unfolding relationships. Smith and Wells suggest that the "concession contract" should be seen as part of a "concessions process" in which change is the principal characteristic.[24] Because

Curry and Rothchild ignore the issue of renegotiation, they do not consider the impact of the host country's domestic politics on the bargaining process. Indeed, the model cannot explain why nationalization occurs in several mineral-exporting economies where concessional agreements for fairly extended periods are usually the norm. What is needed to better understand the various facets of renegotiation is an interactive bargaining model.

One such interactive bargaining model has been proposed by Raymond Mikesell. According to Mikesell, the strength of bargaining is initially on the side of the foreign investor and this is usually reflected in the terms of the concession agreement that is initially drawn up. The bargaining power of the foreign investor stems from the fact that the foreign investor can bring in the requisite capital, technology, management and organizational skills, and usually a world-wide marketing and distribution system. There is also a risk element involved. Before a shaft is sunk or a hole is drilled, there is no certainty that minerals actually exist beneath the surface. The host country is capital poor and is a risk avoider. The foreign investor, on the other hand, is a risk taker and the concessions contract contains terms that reward the foreign investor for its risks.[25]

Real conflict between the host government and the foreign investor begins to emerge once the original concessionaire has established the existence and size of the mineral reserves and begins to develop the mineral on a commercial basis, thereby earning for itself a high return on its investment. The original risks are downplayed and the government or its political opposition might begin

to feel that the original terms of the agreement were too generous and that the national resource is begin given away. This sets the stage for renegotiation. The government's position is usually strengthened by burgeoning nationalism. As the foreign-controlled industry increases in visibility, that is, as it becomes more important in the national economy, it becomes the object of attack by domestic opposition forces.[26]

Developments in other countries also affect the bargaining positions of an M.N.C. and its host. Developing countries compare the terms of their concession agreements with those recently negotiated in other countries or even in the same country. Even though the circumstances surrounding the other agreements might be different, strong pressures are generated in the host country for a renegotiation or updating of the terms of the original agreement.[27]

Mikesell also argues that as the developing host country grows in wealth and economic capability, there is a corresponding increase in its ability to take-over and operate technically advanced enterprises. The fact that nationalization becomes a more feasible government option increases its bargaining power.[28]

The model elaborated by Mikesell emphasizes the economic aspects of bargaining between the foreign investor and the host government. It does not accurately reflect the impact of the domestic politics of the host country on the bargaining process. Domestic politics are an especially important factor in the relations between the host country and M.N.C.s involved in a mineral-extracting industry. The removal of sub-soil resources from the host country exposes the companies to

charges of exploitation and provides domestic opposition groups with ample opportunity for nationalistic mobilization.

Moran has proposed what he considers to be a more dynamic model of host country-foreign investor relations. The model is based on an analysis of the experience of the foreign copper companies in Chile and is meant to account for the instability of concession agreements and, in particular, to explain why developing host countries nationalize foreign companies involved in the extraction of natural resources. Moran calls his model a balance-of-power model. It is, in fact, a bargaining model that concentrates on those developing countries with rich endowments of raw materials.

The model employs two explanatory variables: (i) uncertainty about whether the investment can be made a success; and (ii) a host-country learning curve. Moran argues that initially the preponderance of bargaining strength is on the side of the foreign investor. The starting position is one of monopoly control over the capacity to make a successful operation out of a potential ore-body. Since the host government cannot supply the capital or the technological and managerial services needed for the undertaking, and since it would like to see its natural resource become a source of revenue and employment, it must make the types of concessions that would be attractive to the foreign investor. If the venture is unsuccessful, other such ventures will require the same or greater inducements.[29]

However, if the venture is successful, a drastic change takes place in the foreign-host relationship. Old doubts are quickly

forgotten and the host country can bring on pressure for renegotiation of the original terms of agreement. With proven reserves, the government can exact better terms from other companies seeking to invest there, and it can use these terms to pressure the original concessionaire to revise its agreement in line with the newer agreements. Therefore, once the uncertainty has been reduced, bargaining power shifts from the foreign investor to the host government.[30] On this point, Moran is in agreement with Mikesell and others.[31]

Moran argues further that successful ventures of this type would now provide an incentive for the host country to develop the skills and expertise appropriate to the industry, because it stands to increase its benefits by so doing. However, as the host country moves up the "learning curve" of negotiating skills and of direct operating skills for the industry, there is a transfer of power from the foreign investor to the host country, or, put differently, the balance of power shifts in favor of the host country. This shift in bargaining power is not oscillatory but cumulative; that is, as the host country acquires more knowledge about the operations of that natural resource industry, there is a cumulative shift in power away from the foreign investor to the host country. A point will be reached when the host country has developed the ability to replicate the functions of the foreign investor and the burden falls on the foreign investor to demonstrate what advantages its continued presence offers. National ownership now becomes a possibility.[32]

Moran differentiates between short-run shifts in the balance of power and a cumulative shift in the balance of power. He attributes short run shifts to changes in the perception of uncertainty and cumulative shifts to the national learning process, that is, the domestic acquisition of skills and confidence appropriate to the industry.[33]

In Moran's model, economic nationalism[34] plays a significant role. In the case of Chile, it began as a struggle against "dependencia," a term that was never clearly defined, but that presumably evoked strong emotional reaction and served as a source of inspiration for the development of the technological and managerial competence to bring the foreign corporations under national control. As the host country moved up the learning curve; that is, as its confidence increased, economic nationalism increased. Economic nationalism was also an outgrowth of domestic politics. Domestic political parties tried to win support by attacking the foreign companies. Eventually, the Chile government nationalized the foreign copper companies when it felt that the country had the domestic competence to run the copper industry and when other impetuses to economic nationalism demanded such a course of action.

Like Moran, Franklin Tugwell agrees that the relationship between the host country and the M.N.C. involved in the extractive sector is unstable and degenerates over time. Based on the experience of the foreign oil companies in Venezuela, however, Tugwell argues that the "degenerative instability" of concession agreements is partly explained by the shift in bargaining power to the host government, as

the M.N.C.s sink more and more capital into the industry and thereby become vulnerable to pressures for renegotiation. However, the main source of this instability is the mistrust and uncertainty that are built into the concessionary system. The host country is never comfortable with the profit calculations of the foreign companies and is constantly in doubt about whether company decision-makers outside of the country might not be employing a variety of mechanisms to punish the host country for its assertiveness in seeking to maximize its income. On the other hand, the companies grow insecure about the longevity of any agreement with the host country. The insecurity on the part of the M.N.C.s accounts for their attempts to influence public policy by manipulating economic variables such as production rates, prices, and reinvestment by playing producer countries off against each other, and also by intervening directly in the domestic political process of the host country. In the short term, the M.N.C.s often get their way. But, in the long run, governmental and other domestic leaders learn that the corporations cannot be trusted and must be controlled.[35]

Both Moran and Tugwell have dealt with large natural resource-producing countries. Both predict nationalization of the foreign enterprise as the eventual outcome of the bargaining process between the host government and the foreign investor. However, as we will show in this study, the incentive structure for minor mineral-producing countries is different from that of major resource producers and nationalization of the foreign investor cannot as easily be predicted. Bargaining power is not cumulative but oscillatory, and in

this regard, the Mikesell model has greater applicability than those of Moran and Tugwell.

Although the emphasis varies among them, most writers on the bargaining approach to host country-M.N.C. relations acknowledge that economic nationalism is a factor that must be taken into account. There does seem to be general agreement that expressions of nationalism by domestic groups strengthen the host government's bargaining position. Moran and Tugwell subscribe to this view. Both emphasize the intersection of state-M.N.C. bargaining and the domestic politics of the host country. Both explain how the M.N.C. directly or indirectly inspires economic nationalism and how the host government can capitalize on this to nationalize the M.N.C.

There are other contributors to the literature on M.N.C.s, however, who alert us to the possibility that economic nationalism could interfere with the host government's development goals and could invite attempts by the government to control or manage it. Sylvia Ann Hewlett for instance, has argued (with reference to Brazil) that the willingness to subdue labor is part of the price that a late developing country must pay in order to achieve industrial take-off.[36] And Kenneth Mericle documents the corporatist controls that the Brazilian government has imposed on labor in that country.[37] Of course, one of the principal beneficiaries of governmental control over the more militant domestic groups is the foreign investor. Norman Girvan argues this point in the specific case of mineral-exporting countries. Girvan sees labor as one of the principal agents of economic nationalism. He argues that in its attempt to increase

and stabilize its revenues from the M.N.C., the government will use repressive measures against labor.[38] Yet the Moran and Tugwell studies show that this was not the case in large mineral-producing countries. The present study examines how the government of a minor mineral-producing country responds to economic nationalism. Specifically, it shows how the intersection of domestic political considerations and sensitivity to national dependence on mineral resources shape a government's response to demands for the nationalization of foreign-based mineral-extracting companies.

The Case of the Small Mineral-Producing Country

In this section, the key parameters that circumscribe the bargaining position of small mineral producers are examined. The essential argument is that the bargaining position of a state dependent on small mineral reserves is markedly different from one with larger reserves, and the ability of such a state to effectively deal with the M.N.C.s depends on its ability to manage its domestic politics.

Proposition 1

> Whether a marginal source of raw materials is developed or not depends on the essentiality of the commodity to the advanced industrialized countries.

An important factor in the bargaining process is the attractiveness of the particular raw material as an investment opportunity. The value of a mineral is a function of its scarcity, the quality of the ore or crude oil, and the comparative costs of developing the source.

However, it is also a function of the essentiality of the commodity to the advanced industrialized countries. Essentiality is an assessment of the relative significance of a raw material to a nation's security and to its economic well-being and is a measure of the damage or the dislocation that can be caused by a prolonged disruption of supplies of that commodity.[39] Since the industrialized countries provide the primary market for Third World raw materials, essentiality of a commodity features in the company's assessment of the profitability of investing in its production.

Ruth and Uzi Arad have come up with a ranking of raw materials based on essentiality (Table I-1). From the company's point of view, investment in a commodity further up in the hierarchy would be more lucrative than one lower down. Host-country bargaining strategies are also affected by the commodity in question. In the case of a small producer, the essentiality of the commodity could very well dictate whether a marginal source is developed or not. In short, a country with a small reserve of petroleum, copper, iron ore, or aluminum (bauxite ore) stands a better chance of attracting a foreign investor to develop its resource than a country with a small reserve of tin.

Proposition 2

> Unlike the case of a country with large reserves, the foreign investor in a small mineral-producing country can manipulate the existence of risk in its operations to keep the host-government's bargaining position weak.

As in the case of larger producers, the initial bargaining position of the small producer is weak. While the host government needs the

TABLE I-1

PRIORITIES OF MATERIALS (ON A SCALE OF 1 TO 10)

(1) RANK	(2) NAME OF MATERIAL	(3) DIFFICULTY OF SUBSTITUTION	(4) ECONOMIC IMPORTANCE	(5) INDUSTRIAL LEVERAGE	(6) GEOMETRIC MEAN OF COLUMNS 3-5
1	Iron Ore	8	10	9	8.96
2	Petroleum	8	9	8	8.32
3	Copper	6	6	7	6.32
4	Aluminum	6	6	5	5.65
5	Manganese	7	1	8	3.83
6	Nickel	4	2	4	3.17
7	Silver	8	1	4	3.17
8	Cobalt	7	1	4	3.04
9	Chromium	5	1	5	2.92
10	Platinum	8	1	3	2.88
11	Lead	5	1	4	2.71
12	Uranium	2	1	9	2.62
13	Mercury	7	1	2	2.41
14	Tin	3	1	3	2.08
15	Zinc	2	1	4	2.00

SOURCE: Reproduced from Ruth W. Arad and Uzi B. Arad, Sharing Global Resources (New York: McGraw Hill Book Company, 1979), p. 51.

revenues that could be generated from minerals believed to exist beneath the surface, it lacks the technology, capital, and managerial expertise to establish the size of its resources and to exploit these resources. Unlike countries with large proven reserves, however, a minor mineral-producing country cannot easily downplay the element of risk in the foreign investor's operations, even after commercial production begins. The host country's hopes for an expansion of its reserves depend on the continuation of exploration activities by the foreign company which is usually in possession of all of the seismic

data. Opportunities exist, therefore, for the foreign investor to manipulate the continued existence of risk in its operations in order to keep the host country's bargaining position weak.

Proposition 3

> The small size of the mineral reserves adversely affects the development of indigenous expertise in the exploration, production, and marketing of the mineral.

Widespread knowledge of the smallness of the reserves adversely affects the reservior of local expertise that would develop around that commodity. People would be little inclined to commit careers in an area of economic activity perceived to be of short duration. Even if one were to discount the problem of attracting trainable skills, then, operating on the Moran thesis, the rate of development of technological and managerial expertise must keep sufficiently ahead of the rate of depletion of the resource if the expertise is to impact favorably on the bargaining position of the host government. And in the case of the small producer, where there is no reason for the foreign investor to practice conservation, the time span is too short for an indigenous work force to acquire the sophisticated skills necessary to run the enterprise.

Proposition 4

> It follows from Proposition 3 that the host country's initial dependence on the foreign investor's technological, managerial, and marketing expertise is likely to be maintained for the duration of the concession agreement and that nationalization of foreign investor is not a feasible option.

This suggests that the Moran thesis is not applicable to the small producer; that is, the "learning curve" of technological and

managerial skills is not a useful predictor of shifts in bargaining strength between the foreign investor and the host government.

Proposition 5

Nationalization as a host-government option is also deterred by the following considerations:

(i) the cost of compensation compared to the expected flow of profits from the industry under conditions of local ownership and management;

(ii) developmental pressures and the need for a steady stream of revenues from the mineral industry;

(iii) the vulnerability of the host-government to sanctions from the foreign investor's home country, as well as from the international investing community.

As Paul Sigmund points out, the principle that some compensation must be paid in the event of nationalization has been recognized even by countries whose official ideology opposes private ownership of the means of production.[40] The cost of compensation is usually very high and would pose a strain to many developing countries. Not only must capital be diverted from other national development projects, but revenues generated by the nationalized industry can be expected to fall. State ownership runs the risk of a decline in efficiency in the general management of the industry. Managerial appointments might involve political as opposed to strictly business considerations. Labor unions might accelerate their demands for wage increases which the government would find politically difficult to deny. The state-run industry can expect to face marketing difficulties. It may lose the traditional customers and marketing channels of the multinational corporation. It would have to develop a certain degree of marketing expertise relevant to the commodity. It would then be competing with experienced multinationals for markets in the developed countries.

Lack of knowledge of the markets and the smallness of its exports relative to other producers would prove to be severe handicaps. The ability of the government to diversify the destinations of its export or simply to shift out of a particular market would be impaired by the smallness of its supply. The country might simply become a supplier of last resort. These considerations would militate against a strategy of nationalization. Even if nationalization is contemplated by the host government, its consummation might be forestalled by resistance on the part of the M.N.C.s, frequently with the support of their home governments, and also by the host government's fears of the damage nationalization would do to the country's image as an attractive investment site.

Proposition 6

The threat by the foreign company to uproot in the short-term is much more potent against the small mineral-producing country than it is against a major producer.

The same factors (Propositions 3, 4 and 5) which proscribe nationalization as an effective strategy for the host-country greatly strengthen the bargaining position of the M.N.C. The M.N.C. enters the host-county with the knowledge that its stay there will be relatively brief compared to its investments elsewhere. Uprooting in the short term has, therefore, already entered the investment calculus. This gives the M.N.C. a bargaining ace and imposes an upper penalty on the bargaining position of the host country: the M.N.C. can threaten to uproot whenever it decides that the host-government's claims are excessive. In other words, the threat by the M.N.C. to

uproot in the short term is more potent against the small mineral-producing country than it is for a major producer, and it substantially enhances the M.N.C.'s bargaining position vis-a-vis the former.

This is not to say that the host-government is not under pressure, and does not, in fact, try to renegotiate the terms of the agreement. Pressures on the government for renegotiation usually arise from (i) the need for revenues to achieve developmental goals, (ii) the need to assuage domestic groups such as labor and opposition parties, and (iii) external factors, primarily increases in the price of the commodity on the world market. However, pressures for a renegotiation can also arise from the M.N.C. in circumstances such as a drop in the world market price of the commodity or unexpected increases in the cost of production. Thus the bargaining between the host government and the M.N.C. is fairly fluid, especially since nationalization is not a credible option for the small mineral-producer.

Proposition 7

In its bargaining with the multinational corporation, the host-government of a small mineral-producing country is motivated by two principal goals:

(i) to try to increase its share of the revenues generated by the mineral industry;
(ii) to keep the multinational operating in the country.

When the pickings are good, the government must be strong enough to press its claims for a greater share. When the going is rough, the state must be prepared to provide the M.N.C. with inducements to remain and produce. In short, for the duration of the investment,

there is always a quest for a win-win solution. This, of course, requires a host-government with a great degree of flexibility.

Proposition 8

As the foreign-controlled industry increases in importance to the economy, that is, as the size of its contribution to the economy increases, it will become more and more of an issue of domestic politics. The ability of the host government to achieve its principal goals would depend on its ability to manage its domestic politics.

In a large mineral-producing country, the existence of a radical opposition party or of vocal nationalistic groups, demanding greater state control over the industry, strengthens the bargaining position of the host-government. The M.N.C.'s intransigence in its bargaining with the host government could contribute to the opposition party riding a nationalistic wave into government and probably nationalizing the enterprise. The loss of a major mineral concession would be considerable to the M.N.C. Hence, the M.N.C. is more likely to make concessions. In the case of a small mineral-producing country, however, the existence of a radical opposition party or of vocal nationalistic groups only marginally strengthens the bargaining position of the host government since voluntary relinquishment of this mineral resource would not severely jeopardize the M.N.C.'s global position. Since an early departure was envisioned anyway, on account of the small size of the reserves, all that would happen is that this departure would be accelerated when the M.N.C. views the host country's demands as excessive. The greater loser would be the government. The government is usually aware of this and must manage

economic nationalism within the country so that it does not scare away the M.N.C.s.

Theoretical Significance of the Study

The literature on the dynamic relationship between extractive multinational corporations and developing host countries draws largely on case studies of large natural resource producing countries. Yet the conclusions reached about host-M.N.C. relations in such settings are not entirely generalizable to small resource producing countries. This case study of Trinidad, a small petroleum producer, is an attempt to remedy the omission in the literature.

There are numerous small producers of mineral resources. Take the case of petroleum, for instance. In 1980, The World in Figures listed sixty-one countries as the main producers of crude oil. Forty-five of these countries had production figures in 1976 that were smaller than one percent of the total world production. Of these, twenty-eight were developing countries, and in thirteen of these countries, petroleum and petroleum products accounted for over twenty percent of total exports. In the case of eight of the developing countries, petroleum and petroleum products accounted for over fifty percent of their total exports for that year.[41] From the point of view of these countries, this commodity is essential to their economic well-being. How these nation-states deal with the M.N.C.s involved in the development of their resources is an important question. The M.N.Cs are crucial to the achievement of development goals in these countries. The M.N.C.s are one of the principal means by which

economically marginal states are integrated into the international system. The questions that are pursued in this study allow us to understand better some of what Robert Keohane refers to as the Lilliputians' dilemmas.[42]

Order of Presentation

This is a case study of the relations between the oil multinationals and Trinidad, a minor petroleum-producing country. Chapter II examines the importance of the Trinidadian petroleum industry to the economy of that country. The argument in this chapter is that the petroleum sector has been the engine of growth of the economy and petroleum revenues help to maintain the financial buoyancy of a large number of state enterprises as well as to support a variety of welfare state programs.

Chapter III examines the organization of the petroleum industry in Trinidad. The chapter shows that Trinidad is a minor petroleum producer with little impact on the international petroleum market. It also shows that in all the major aspects of the oil industry, Trinidad depends heavily on the foreign oil companies and that the Trinidadian oil industry is likely to suffer if the government nationalizes the industry. The data for this chapter were drawn from governmental publications and from interviews with senior government officials in the Ministry of Energy, the National Energy Corporation, the Ministry of Finance, and also with executives of the following oil companies: the Trinidad-Tesoro Oil Company, the Trinidad and Tobago Oil Company, Texaco, and Amoco.[43]

Chapters IV and V together trace out the process whereby the nationalization demand emerged as a domestic counter-mobilization strategy. Chapter IV highlights the centrality of ethnicity as a factor in Trinidadian politics and argues that the uninterrupted stay in power of the rulling party has depended largely on its ability to polarize the population along ethnic lines. It also shows how internal organizational problems incapacitated the parliamentary opposition and created a political vacuum which radical opposition groups began to fill. Chapter V examines the efforts by these radical groups to use the issue of foreign domination of the economy as the basis for counter-mobilization. In particular, the chapter examines their efforts to unite the major ethnic groups by appealing to their common class interests and by demanding the nationalization of the foreign companies in the oil and sugar industries. Data for these two chapters were obtained from historical documents, newspapers, political party and labor literature, and interviews with party and labor leaders.

Chapter VI examines the efforts by the Trinidadian government to exact better terms from the oil multinationals and to mollify its critics at home. Chapter V and VI together explain the factors underlying the government's success in managing economic nationalism in Trinidad.

Chapter VII is an overall assessment of the bargaining between the state and the oil companies, and a re-statement of the factors impinging on the bargaining process.

Notes

[1]For a summary of the positions of the two schools, see John Diebold, "Multinational Corporations . . . Why be Scared of Them?" Foreign Policy, No. 12 (Fall 1973), pp. 84-85.

[2]Some of the proposals for new economic order are discussed in Jagdish N. Bhagwati, ed., The New International Economic Order: The North-South Debate (Cambridge, Mass.: M.I.T. Press, 1977).

[3]In this study, a small mineral-producing country is defined as one whose mineral industry accounts for over fifty per cent of the country's total exports but whose annual production of the mineral is less than one per cent of total world production.

[4]Hereafter referred to simply as Trinidad.

[5]The same political party has been in power since 1956.

[6]Ronald H. Chilcote, "A Question of Dependency," Latin American Research Review 13 (1978), p. 55.

[7]Susanne Bodenheimer, "Dependency and Imperialism: The Roots of Latin American Underdevelopment," Politics and Society 1 (May 1971), p. 340. See also Daniel Chirot and Thomas D. Hall, "World-System Theory," Annual Review of Sociology 8 (1982), pp. 90-91.

[8]Bodenheimer, "Dependency and Imperialism," pp. 340-342.

[9]Andre Gunder Frank, "The Development of Underdevelopment," in Charles W. Wilber, ed., The Political Economy of Development and Underdevelopment (New York: Random House, 1979), p. 103.

[10]W. W. Rostow, The Stages of Economic Growth: A Non-Communist Manifesto (Cambridge: Cambridge University Press, 1965), pp. 1-4.

[11]Frank, "The Development of Underdevelopment," pp. 103-111.

[12]Bodenheimer, "Dependency and Imperialism," pp. 335-355.

[13]Theotonio Dos Santos, "The Structure of Dependence," in K. T. Fann and Donald C. Hodges, eds., Readings in U.S. Imperialism (Boston, Mass.: Porter Sargent Publisher, 1971), pp. 225-233.

[14]Frank, "The Development of Underdevelopment," pp. 110-111.

[15]For a case study employing the framework of dependent development, see Peter Evans, Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil (Princeton: Princeton University Press, 1979).

[16]Fernando Henrique Cardoso, "Associated-Dependent Development: Theoretical and Practical Implications," in Alfred Stepan, ed., Authoritarian Brazil: Origins, Policies and Future (New Haven: Yale University Press, 1973), pp. 143-150.

[17]Bodenheimer, "Dependency and Imperialism," p. 350.

[18]Although Wallerstein is not a "dependentista," his world-system theory draws heavily from dependency theory. See Immanuel Wallerstein, The Capitalist World-Economy (Cambridge: Cambridge University Press, 1979), pp. 66-92; and Chirot and Hall, "World-System Theory," pp. 90-93.

[19]Wallerstein, The Capitalist World-Economy, pp. 21-23.

[20]Ibid., pp. 80-92.

[21]Paul E. Sigmund, Multinationals in Latin America: The Politics of Nationalization (Madison: The University of Wisconsin Press, 1980), pp. 278-279.

[22]David N. Smith and Louis T. Wells, Jr., Negotiating Third-World Mineral Agreements: Promises as Prologue (Cambridge, Mass.: Ballinger Publishing Company, 1975), pp. 4-5.

[23]Robert L. Curry, Jr., and Donald Rothchild, "On Economic Bargaining between African Governments and Multi-National Companies," The Journal of Modern African Studies 12 (February 1974), pp. 173-182.

[24]Smith and Wells, Jr., Negotiating Third-World Mineral Agreements, p. 3.

[25]Raymond F. Mikesell, "Conflict in Foreign Investor-Host Country Relations: A Preliminary Analysis," in Raymond F. Mikesell, ed., Foreign Investment in The Petroleum and Mineral Industries: Case Studies of Investor-Host Country Relations (Baltimore: The Johns Hopkins Press, 1971), p. 38.

[26]Ibid., p. 39.

[27]Ibid., p. 39.

[28]Ibid., p. 39.

[29]Theodore H. Moran, Multinational Corporations and the Politics of Dependence: Copper in Chile (Princeton: Princeton University Press, 1974), pp. 159-160.

[30]Ibid., pp. 160-161.

[31]See, for example, Smith and Wells, Jr., Negotiating Third-World Mineral Agreements, pp. 18-19.

[32]Moran, Multinational Corporations, pp. 162-166.

[33]Ibid., pp. 166-169.

[34]While Moran does not explicitly define the term economic nationalism, the definition inferred from his discussion of "dependencia" and used in the present study may be stated thus: Economic nationalism in a developing country is a domestic reaction against foreign influence in the political and economic life of the country. It manifests itself in the domestic desire to reassert sovereign control over its affairs. See Moran, Multinational Corporations, pp. 3-15.

[35]Franklin Tugwell, The Politics of Oil in Venezuela (Stanford: Stanford University Press, 1975), pp. 145-175.

[36]For an examination of the developmental dilemmas confronting a late developing country, see Sylvia Ann Hewlett, The Cruel Dilemmas of Development: Twentieth Century Brazil (New York: Basic Books, 1980).

[37]Kenneth S. Mericle, "Corporatist Control of the Working Class: Authoritarian Brazil Since 1964," in James M. Malloy, ed., Authoritarianism and Corporatism in Latin America (Pittsburgh: University of Pittsburgh Press, 1977), pp. 303-334.

[38]Norman Girvan, Corporate Imperialism: Conflict and Expropriation (White Plains, New York: M. E. Sharpe, Inc., 1976), pp. 36-40.

[39]Ruth W. Arad and Uzi B. Arad, Sharing Global Resources (New York: McGraw Hill Book Company, 1979), pp. 48-51.

[40]Sigmund, Multinationals in Latin America, pp. 265-266.

[41]The Economist, The World in Figures (New York: Facts on File, Inc., 1980), pp. 29-31.

[42]Robert Keohane, "Lilliputians' Dilemmas: Small States in International Politics," International Organization 23 (Spring 1969), pp. 291-311.

[43]Interviews with executives of the oil companies, government officials, political and labor leaders, and other Trinidadian notables were conducted in Trinidad over the period January 15, 1982 to April 25, 1982. Interviewees were granted anonymity by the author, but notes of conversations have been available to the author's dissertation committee in the Department of Political Science, University of Florida.

CHAPTER II

THE IMPORTANCE OF THE PETROLEUM INDUSTRY TO TRINIDAD

Introduction

The purpose of this chapter is to examine the importance of the petroleum industry to Trinidad. We will show that the Trinidadian economy is highly dependent on the petroleum sector. This dependence is reflected in the following three major points:

(i) The petroleum sector has been the main engine of growth of the economy.

(ii) Petroleum revenues have permitted the government to maintain a number of state-run industries, some of which are operating at a loss and require subsidization by the state. The sugar industry is discussed in this context. The poor performance of these industries accentuates the country's dependence on oil revenues.

(iii) There exists what Tugwell has called, in the case of Venezuela, "an institutionalized addiction to rapidly expanding public resources."[1] These resources originate from the oil industry and support a variety of programs around which political constituencies have developed.

Before we embark on a closer examination of the contribution of petroleum to the economy, it is apposite that we present some background information on Trinidad.

A Brief Background on Trinidad

The two-island state of Trinidad and Tobago has an area of about 2000 square miles and is situated close to Venezuela on the continental shelf. Trinidad was sighted by Columbus in 1498 and was named in honor of the Holy Trinity. The island experienced three centuries of Spanish rule before it was captured by the British. Tobago historically enjoyed greater strategic importance than Trinidad and changed hands among European powers before finally remaining under British control after 1803. In 1889, Tobago was linked to Trinidad for easier administration and the town of Port-of-Spain served as the administrative center. Trinidad-and-Tobago was a member of the short-lived Federation of the West Indies (1958-1962), but withdrew after Jamaica did so in 1961. The country became independent of Great Britain on August 31, 1962, and a republic in 1975.[2]

The national government of Trinidad is organized as a parliamentary democracy. Parliament is bicameral: the House of Representatives consists of thirty-six elected members, and the Senate consists of thirty-one seats which are divided among the political parties in direct proportion to the number of elected seats that each wins in the House of Representatives. National elections for the House of Representatives are held every five years. The titular head of state is the President who is elected by both Houses of Parliament. However, the actual locus of power resides in the position of the Prime Minister who heads the cabinet and is selected from the party that commands the support of the majority of the members of the House of Representatives.

Trinidad is the most prosperous of the independent countries of the Caribbean. In 1979, the per capita G.N.P. of Trinidad was 3,390 dollars. This was the sixth highest of all middle income countries and the sixth highest in Latin America.[3] Table II-1 shows how Trinidad compares with some selected countries on a few basic socio-economic indicators. International lending agencies have ceased ranking Trinidad as a developing country.[4] However, although it possesses some of the characteristics of a developed country, notably a relatively high per capita G.N.P., a high literacy rate, and a high life expectancy at birth, Trinidad remains, as will become clear in this study, a developing country. Its relative prosperity is accounted for by its petroleum industry.

TABLE II-1

COMPARISON OF TRINIDAD WITH SELECTED COUNTRIES ON SOME SOCIO-ECONOMIC INDICATORS

COUNTRY	G.N.P. PER CAPITA (U.S. DOLLARS) 1979	AVERAGE ANNUAL GROWTH (%) 1960-1979	ADULT LITERACY RATE (%) 1976	LIFE EXPECTANCY AT BIRTH (YRS) 1979
Trinidad	3,390	2.4	95	70
United States	10,630	2.4	99	74
United Kingdom	6,320	2.2	99	73
Singapore	3,830	7.4	—	71
Hong Kong	3,760	7.0	90	76
Venezuela	3,120	2.7	82	67
Brazil	1,780	4.8	76	63
Cuba	1,410	4.4	96	72
Jamaica	1,260	1.7	—	71

SOURCE: The World Bank, World Development Report, 1981 (New York: Oxford University Press, 1982), pp. 134-135.

Contribution of the Petroleum Sector to the Economy

Trinidad is an open petroleum economy.[5] The performance of the economy mainly reflects developments in the petroleum sector, which in turn is affected by conditions in the world market for petroleum.

Table II-2 shows the gross domestic product (G.D.P.) at constant factor cost over the period 1960-1981. The average annual rate of growth in real terms over this period was five percent, which was a comparatively good rate of growth. The G.D.P. at current factor cost in 1981 was over five times what it was in 1973, showing the enormous expansion of the economy as a result of the O.P.E.C. price regime (See Table II-3).

Table II-3 shows the contribution of the petroleum sector to the G.D.P. at current factor cost. Over the period of 1960-1981, the average percent contribution of the petroleum sector to G.D.P. at factor cost was 32.9. Over the brief boom years 1960-1962, the average annual contribution of this sector to the G.D.P. was 32.4 percent, while over the period 1974-1981, under the prevailing O.P.E.C. price regime, the petroleum sector's contribution to G.D.P. averaged 43.1 percent annually.

Petroleum and petroleum products account for the greater proportion of domestic exports (Table II-4). Over the period 1962-1981, these products accounted for an average of 84 percent annually. Between 1974 and 1981, the contribution of the industry to total exports averaged 90 percent annually. When the export figures are disaggregated to reflect the separate contributions of crude oil and refinery products, we find that Trinidad has been much more important

TABLE II-2

GROSS DOMESTIC PRODUCT AT FACTOR COST
(CONSTANT 1970 PRICES), 1960-1981

YEAR	G.D.P. AT CONSTANT FACTOR COST (MILLIONS OF T.T. DOLLARS)	G.D.P. AT CONSTANT FACTOR COST (MILLIONS OF U.S. DOLLARS)	ANNUAL GROWTH RATE PERCENT
1960	1038	519	
1961	1129.4	564.7	8.8
1962	1159.4	579.7	2.7
1963	1194.9	597.5	3.1
1964	1237.8	618.9	3.6
1965	1368.8	684.4	10.6
1966	1454.2	727.1	6.2
1967	1502.5	751.3	3.3
1968	1546.3	773.2	2.9
1969	1580.2	790.1	2.2
1970	1623.5	811.8	2.7
1971	1756.9	878.5	8.2
1972	1813.5	906.8	3.2
1973	1787.2	893.6	-1.5
1974	1820.2	910.1	1.8
1975	1876.7	938.4	3.1
1976	2033.6	1016.8	8.4
1977	2137.9	1069.0	5.1
1978	2565.1	1282.6	20.0
1979	2700.6	1350.3	5.3
1980	2737.0	1368.5	1.3
1981	2862.6	1431.3	4.6

SOURCE: Figures for 1960-1964 were obtained from the World Bank, World Tables (Baltimore: The Johns Hopkins University Press, 1976), pp. 230-231. Figures for 1965-1977 were obtained from the World Bank, World Tables, 1980, pp. 198-199. Figures for 1978-1979 were obtained from Republic of Trinidad and Tobago, Review of the Economy, 1981 (Trinidad and Tobago: The Central Statistical Office Printing Unit, 1982), p. 71. The 1980-1981 figures were obtained from Republic of Trinidad and Tobago, Review of the Economy, 1982, p. 81.

TABLE II-3

CONTRIBUTION OF THE PETROLEUM SECTOR TO
G.D.P. AT CURRENT FACTOR COST (1960-1981)

YEAR	G.D.P. AT CURRENT FACTOR COST (MILLIONS OF U.S. DOLLARS)	PETROLEUM SECTOR (MILLIONS OF U.S.DOLLARS)	PETROLEUM SECTOR AS A PERCENTAGE OF G.D.P. AT CURRENT FACTOR COST
1960	466.4	154.0	33.0
1961	512.6	167.1	32.6
1962	541.6	170.5	31.5
1963	579.5	171.2	29.5
1964	605.3	176.0	29.1
1965	660.6	166.1	25.2
1966	729.6	189.8	26.0
1967	771.8	208.5	27.0
1968	761.9	221.9	29.1
1969	781.1	192.7	24.6
1970	811.8	180.6	22.2
1971	911.4	183.7	20.2
1972	1058.5	220.4	20.8
1973	1262.2	359.7	28.5
1974	1949.8	897.4	46.0
1975	2481.6	1215.2	49.0
1976	2552.6	1216.1	47.6
1977	2999.5	1519.6	49.6
1978	3929.0	1486.7	37.8
1979	4753.0	1697.0	35.7
1980	6403.0	2687.3	42.0
1981	7052.0	2625.8	37.2

SOURCE: G.D.P. figures for 1960-1977 were compiled from The World Bank, World Tables (1976 and 1980. G.D.P. figures for 1978-1981 were compiled from Republic of Trinidad and Tobago, Review of the Economy (1981 and 1982). The petroleum sector's contribution to G.D.P. for years 1960-1974 were compiled from The Central Statistical Office, Annual Statistical Abstract (1962-1976); while the figures for 1975-1981 were complied from Republic of Trinidad and Tobago, Review of the Economy (1979, 1981 and 1982), All financial figures have been converted from dollars (T.T.) to dollars (U.S.).

as a refining center than as an exporter of crude oil, and as column (3) of Table II-4 shows, between 1962 and 1972, crude oil exports averaged 7.7 percent of total exports annually. However, over the same period, refinery products accounted for an average of 72.5 percent of total exports annually (Column 5). With the quadrupling of crude oil prices after 1973, the crude oil proportion of total annual exports increased markedly but as a comparison between columns (3) and (5) of Table II-4 shows, the contribution of refinery products to total exports has been consistently higher than for crude oil, and as Chapter III will show, this largely accounts for the country's dependence on the Texaco oil company.

A final indicator of the petroleum sector's dominant role in the economy is the contribution of this sector to government revenues. Between 1972 and 1981, for which data are available, the petroleum sector's contribution to government revenues increased by about 4,400 percent. Over the same period, the sector's contribution to total government revenues averaged 54 percent annually, but between 1974 and 1981, the petroleum sector's contribution to government revenues averaged about 62 percent annually. Thus the petroleum sector is, without a doubt, the "golden goose" of the Trinidadian economy.

State Contribution to Commercial Enterprises

Expanding state revenues, particularly after 1973, have given rise to other types of dependencies on the oil sector. This can be seen in the expanding public sector activities. In 1977, the government had an equity interest in fifty companies. Twenty-three of

TABLE II-4

EXPORT OF PETROLEUM AND PETROLEUM PRODUCTS (1962-1981)

Year	(1) Value of total Exports ($1,000 U.S.)	(2) Exports of Crude Oil ($1,000 U.S.)	(3) (2) as % of (1)	(4) Exports of Petroleum Products ($1,000 U.S.)	(5) (4) as % of (1)	(6) (2) + (4) ($1,000 U.S.)	(7) (2) + (4) as % of (1)
1962	338,115	19,605	5.8	268,750	79.5	288,355	85.3
1963	364,339	21,535	5.9	285,100	78.3	306,635	84.2
1964	400,290	29,387	7.3	305,375	76.3	334,762	83.6
1965	395,658	29,853	7.5	298,731	75.5	328,584	83.0
1966	418,325	31,335	7.5	307,533	73.5	338,868	81.0
1967	433,642	37,794	8.7	306,262	70.6	344,056	79.3
1968	466,251	38,358	8.2	323,871	69.5	362,229	77.7
1969	474,584	43,116	9.1	322,338	67.9	365,454	77.0
1970	481,526	37,038	7.7	334,307	69.4	371,335	78.2
1971	520,450	39,068	7.5	363,142	69.8	402,209	77.3
1972	557,637	55,152	9.9	377,762	67.7	432,914	77.6
1973	695,745	135,964	19.5	435,555	62.6	571,519	82.1
1974	2,037,665	597,245	29.3	1,238,429	60.8	1,835,674	90.1
1975	1,772,728	660,413	37.3	881,261	49.7	1,541,674	87.0
1976	2,219,267	747,010	33.7	1,257,712	56.7	2,004,723	90.3
1977	2,179,814	856,575	39.3	1,138,142	52.2	1,994,716	91.5
1978	2,042,713	847,926	41.5	977,539	47.9	1,825,465	89.4
1979	2,610,436	985,308	37.7	1,376,570	52.7	2,361,878	90.5
1980	4,077,017	1,635,292	40.1	2,131,727	52.3	3,767,019	92.4
1981	3,760,821	1,612,356	42.9	1,741,636	46.3	3,353,992	89.2

SOURCE: Compiled from the United Nations, Yearbook of International Trade Statistics (New York: The United Nations, 1965-1982).

these companies were wholly-owned by the government, while the government held a majority interest in thirteen others and a minority interest in the remaining fourteen.[6] These companies, particularly those that are completely state-owned, operate without the external discipline of the market and with varying degrees of profitability and yet continue to have access to government funds. Take the case of the sugar industry, for instance. In 1975, the government nationalized the foreign-owned sugar companies. Since 1976, the industry has been suffering severe losses and requires annual bail-out by the government. Despite the performance of the industry, wages in the industry continue to rise rapidly. For example, in 1976, wage rates for manual workers in the industry rose to about twice what they were in 1973,[7] despite the fact that the industry incurred a loss in 1976 of about eight to nine million dollars (U.S.).[8] This is not peculiar to the sugar industry. The state-owned airline, British West Indian Airways, is nationally known to be a money loser.

Table II-5 shows the amount the government has contributed over the period 1973-1981 to companies in which the government has an equity interest. On an annual basis, the government has contributed an average of 12.8 percent of its total revenues to the support of these industries. From a low of 15.9 million dollars (U.S.) in 1973, the government's contribution to commercial enterprises reached a high of 356.2 million dollars (U.S.) in 1980. This represents an increase of over 2,200 percent. The government's ability to continue this sizable support for these commercial enterprises stems largely from the large revenues coming in from the petroleum sector. And within

TABLE II-5

CENTRAL GOVERNMENT REVENUES, 1972-1981
(MILLIONS OF U.S. DOLLARS)

YEAR	OIL SECTOR REVENUES	NON-OIL SECTOR REVENUES	TOTAL GOVERNMENT REVENUES	OIL SECTOR REVENUES AS A PERCENTAGE OF TOTAL
1972	41.2	176.4	217.6	18.9
1973	59.3	193.7	253.0	23.4
1974	470.0	205.9	675.9	69.5
1975	592.8	259.1	851.9	69.6
1976	576.3	368.7	945.0	61.0
1977	748.9	497.4	1246.3	60.0
1978	712.8	589.8	1302.6	54.7
1979	984.4	707.2	1691.6	58.2
1980	1733.5	973.1	2706.6	64.0
1981	1828.8	1085.6	2914.4	62.8

SOURCE: The figures for 1972-1974 were obtained from Republic of Trinidad and Tobago, Report of the Committee to Review Government Expenditure (Trinidad and Tobago: The Government Printery, 1978), p. 37. The figures for 1975-1981 were obtained from Republic of Trinidad and Tobago, Review of the Economy, 1981 (Trinidad and Tobago: The Central Statistical Office Printing Unit, 1982), p. 89. All financial figures have been converted from dollars (T.T.) to dollars (U.S.)

the state and para-statal sector, there is enormous resistance to any policy by the government that has the potential of disrupting the flow of revenues from the petroleum industry. Hence, many of these enterprises, purely out of self-interest, oppose the nationalization of the oil industry.

TABLE II-6

GOVERNMENT PARTICIPATION IN COMMERCIAL ENTERPRISES
AS A PERCENTAGE OF TOTAL GOVERNMENT REVENUES, 1973-1981
(MILLIONS OF U.S. DOLLARS)

YEAR	(1) GOVERNMENT CONTRIBUTION TO INDUSTRY	(2) TOTAL GOVERNMENT REVENUES	(3) GOVT CONTRIBUTION TO INDUSTRY AS A PERCENTAGE OF TOTAL GOVT REVENUES
1973	15.9	253.0	6.2
1974	71.6	675.9	10.6
1975	68.3	851.9	8.0
1976	143.8	945.0	15.2
1977	199.9	1246.0	16.0
1978	229.0	1302.6	17.6
1979	304.4	1691.6	18.0
1980	356.2	2706.6	13.2
1981	314.3	2914.4	10.8

SOURCE: The figures for 1973-1979 were obtained from the Government of Trinidad and Tobago, Accounting for the Petrodollar (Port-of-Spain, Trinidad and Tobago: The Government Printery, 1980). The figures for 1980-81 were obtained from Republic of Trinidad and Tobago, Review of the Economy (1980 and 1981). All financial figures have been converted from dollars (T.T.) to dollars (U.S.).

Petroleum Contribution to the Resolution of Employment and Social Welfare Problems

Although revenues from the oil industry have made the country financially secure, the problem of unemployment still remains. The oil industry is highly capital intensive and therefore provides employment for only a few people. In 1977, for example, out of a total labor force of 430,800, the oil industry provided employment to about 17,000 people, or about 4 percent of the labor force.[9] It becomes a burden on the other sectors of the economy to absorb the

rest of the labor force. This has been done largely through the agricultural sector, the public service sector, and the services sector.

The agricultural sector accounted for the employment of about 54,400 people in 1977 or 12.6 percent of the total labor force.[10] Of that, the sugar industry accounted for the employment of about 20,000 people,[11] making it the single largest employer of labor outside of government service and the construction industry. And, as will be discussed in Chapter IV, the sugar industry is protected by a very strong political lobby.

The Government of Trinidad is the largest employer of labor in the country. In 1979, administrative, professional, technical, clerical and manual workers in the public service accounted for a total of about 80,800 people, or about 18 percent of the total labor force.[12] However, this does not include the people employed in the government's "special works" program. This program is organized under the Development of Environmental Works Division (D.E.W.D.) and employs people on a rotating basis, usually guaranteeing work for only two weeks at a time. They are supposed to be employed in beautifying the country but in practice do little work. Although the government's officially published figure for people employed by D.E.W.D. is 10,500,[13] this figure is highly suspect. Officials from the salaries section of the Ministry of Works estimate this figure to be over 50,000. The program is a very controversial one particularly because it is widely perceived as a program utilized to dispense patronage to supporters of the ruling party. Given the controversial nature of the

program, the government does have an interest in understating the true figure. If the 50,000 figure for D.E.W.D. is used, then the government provides employment to about one-third of the labor force. Again, the government can carry such a sizable number of people on its payroll largely because of the revenues coming in from the petroleum industry.

Further, in order to upgrade the standard of living of the average Trinidadian citizen, the government spends an enormous amount of money on a variety of subsidies. These include subsidies on basic food items, agriculture, utilities, welfare, housing, petroleum products and cement. Table II-6 shows the subsidies provided by the government over the period 1973-1980. The magnitude of these

TABLE II-7

GOVERNMENT SUBSIDIES AS A PERCENTAGE OF TOTAL REVENUES, 1973-1980

YEAR	VALUE OF SUBSIDIES (MILLIONS OF U.S. DOLLARS)	TOTAL GOVERNMENT REVENUES (MILLIONS OF U.S. DOLLARS)	SUBSIDIES AS A PERCENTAGE OF TOTAL GOVERNMENT REVENUES
1973	14.4	253.0	5.7
1974	53.1	675.9	7.9
1975	69.6	851.9	8.2
1976	95.2	945.0	10.1
1977	125.2	1246.3	10.0
1978	172.5	1302.6	13.2
1979	291.7	1691.6	17.2
1980	418.8	2706.6	15.5

SOURCE: Government of the Republic of Trinidad and Tobago, Accounting for the Petrodollar (Port-of-Spain, Trinidad and Tobago: The Government Printery, 1980), p. 59.

subsidies has increased every year, from 14.4 million dollars (U.S.) in 1973 to 418.8 million dollars in 1980, representing an increase of over 2800 percent. These subsidies are politically difficult to remove and their present level is sustained because of the revenues arising from the petroleum industry.

The preceding sections emphasize the "essentiality" of petroleum to the economy of Trinidad. The impact of a disruption of the revenues from the oil industry would be enormous. The government naturally recognizes this and formulates petroleum policy with caution. The government has succeeded in insulating the petroleum sector from domestic political forces. Before we look at how this was achieved, let us examine the organization of the petroleum industry in Trinidad to see the types of constraints that it imposes on the government's bargaining position vis-a-vis the foreign investors.

Notes

[1]Tugwell, The Politics of Oil in Venezuela, p. 3.

[2]Jan Knippers Black et al., Area Handbook for Trinidad and Tobago (Washington, D.C.: The American University, 1976), pp. 1, 35-36. See also Eric E. Williams, History of the People of Trinidad and Tobago (Port-of-Spain, Trinidad: P.N.M. Publishing Co., Ltd., 1962).

[3]The World Bank defines middle-income developing countries as those with a per capita income of more than $370 (U.S.). See the World Bank, World Development Report, 1981 (New York: Oxford University Press, 1982), p. 133.

[4]Black et al, Area Handbook of Trinidad and Tobago, p. 207.

[5]One of the principal features of an open economy is that the long-term rate of growth is largely determined by one exogenous variable (exports). For a further discussion, see Dudley Seers, "The Stages of Economic Growth of a Primary Producer in the Middle of the Twentieth Century," in Robert I. Rhodes, ed., Imperialism and Underdevelopment: A Reader (New York: Monthly Review Press, 1970).

[6]Public Relations Division, Prime Minister's Office, Whitehall, Trinidad, Facts on Trinidad and Tobago (Port-of-Spain, Trinidad: The Government Printery, 1977), p. 30.

[7]Central Statistical Office, Annual Statistical Abstract, 1978 (Port-of-Spain, Trinidad: The Central Statistical Office Printing Unit, 1979), p. 86.

[8]Caroni Limited, Directors' Report and Accounts (Port-of-Spain, Trinidad: Caroni Limited, 1977).

[9]Republic of Trinidad and Tobago, Review of the Economy, 1978 (Trinidad and Tobago: The Central Statistical Office Printing Unit, 1979), p. 12.

[10]Ibid., p. 67.

[11]Republic of Trinidad and Tobago, Report of Committee to Consider the Rationalization of the Sugar Industry, Volumes I and II (Trinidad and Tobago: The Government Printery, 1979), p. 15.

[12]Republic of Trinidad and Tobago, Review of the Economy, 1979 (Trinidad and Tobago: The Central Statistical Office Printing Unit, 1980), p. 16.

[13]Ibid.

CHAPTER III

ORGANIZATION OF THE PETROLEUM INDUSTRY IN TRINIDAD

Introduction

The purpose of this chapter is to examine the organization of the petroleum industry in Trinidad. We will argue that although the Trinidadian government has a significant presence in the oil industry, the industry continues to be dominated by the foreign companies, and Trinidad is much more dependent on these companies than they are on Trinidad. This is reflected in the following four major points:

(i) The main producer of crude oil in Trinidad is Amoco Trinidad, a subsidiary of Standard Oil of Indiana. The emergence of Amoco as the main producer parallels the shift from land production to offshore production in Trinidad. Offshore production requires technology that has not yet been learned in Trinidad. Thus there continues to be a "technological gap" in the Trinidadian oil industry and the host country continues its technology dependence on the foreign companies.

(ii) Trinidad has been much more important as a refining center than as a producer of crude petroleum. In the refining sphere of the industry in Trinidad, Texaco has always occupied the dominant position. It has controlled more than 75 percent of the country's total refining capacity, but more importantly, it has been able to secure feedstocks for its Trinidadian refinery from subsidiaries in other parts of the world and has been able

to market the refined products through its outlets in the United States. This makes the government of Trinidad much more dependent on Texaco than Texaco is on it.

(iii) In the area of marketing, the performance of the state-owned oil company, Trintoc, has not been very impressive. This has alerted the government of Trinidad to the magnitude of the marketing difficulties it would encounter if it nationalized the entire industry. The experience of the state-owned company seems to counsel a retention of the status quo in the Trinidadian oil industry.

(iv) Trinidad continues to rely on foreign companies to conduct exploration for new oil fields because it can ill-afford the enormous capital outlay such activity requires. However, since 1969 there has been no major commercial oil discovery in Trinidad. This fact, coupled with the marginality of Trinidadian oil production compared to the rest of the world, has been a source of alarm to government officials concerned with the oil industry and has increased their reluctance to control, by way of nationalization, plant and equipment that would be very costly to acquire and that would become obsolete in a relatively short time when the oil runs out.

Entry of Foreign Companies into the Trinidadian Oil Industry

Trinidadian officials never tired of reminding me that Trinidad is one of the oldest oil producers in the world. The first successful oil well in the world was drilled in Trinidad in 1857.[1] Sir Walter

Raleigh is known to have taken an interest in Trinidadian pitch. Attempts at commercial production did not commence until the latter part of the 19th century, however, and successful commercial production did not start until the early 1900s.

The major boost to oil development in the island came in 1910, when the British Admiralty decided to switch from coal to oil as fuel for its ocean-going ships. Large orders were made for Trinidadian oil and numerous companies became registered for the purpose of tapping the island's oil resources, though only a few of these ever achieved the possibility of commercial success. Some of the earliest companies involved in oil exploration and production were (i) Trinidad Leaseholds Limited; (ii) The United British Oilfields Limited, supported by the Shell Group; (iii) Apex Trinidad Oilfields Limited; (iv) Kern Trinidad Oilfields; and (v) Trinidad Petroleum Development Company.[2]

Some significant changes of ownership began to take place in the industry just before the country became independent. In 1956, the Trinidad Leaseholds Ltd. was acquired by Texaco Inc. and renamed Texaco Trinidad Inc. In 1956, the United British Oilfields Limited was renamed Shell Trinidad Ltd. During the same year, British Petroleum came to Trinidad after it acquired the Trinidad Petroleum Development Company. A few years later in 1961, the Pan American Oil Company (later renamed Amoco Trinidad Oil Company), a subsidiary of Standard Oil of Indiana, entered Trinidad and began exploring for oil. In the same year also, British Petroleum acquired Kern Trinidad Oilfields and Apex Trinidad Oilfields.[3]

Until 1969, all aspects of the oil industry were owned and controlled by foreign companies. Since that time, the government of Trinidad and Tobago has acquired substantial ownership interests in the industry. However, it is still accurate to say that the petroleum industry in Trinidad continues to be dominated by the foreign companies.

Organization of the Petroleum Industry

Production

Trinidad is a marginal producer of petroleum when compared with overall world production. Production peaked in 1978 at about 83.8 million barrels (See Table III-1). This was only about 0.4 percent of total world production for that year. And officials in the Ministry of Energy openly acknowledge that the world would not suffer any hardship as a result of a disruption of Trinidadian production.

Not only has Trinidad's annual production been small, but so also have been its proven reserves. Table III-1 shows the reserves to production ratios for the period 1962-1981. These ratios, in effect, give the number of years that production could continue at its present level before the reserves would be completely depleted, and have been characteristically small in the case of Trinidad. They have also generated a sense of insecurity within Trinidad about the duration of the benefits arising from this industry. As a result, Trinidadians are unwilling to undergo the lengthy training required to fill the higher-level technical positions within the industry.

TABLE III-1

RESERVES TO PRODUCTION RATIO, 1962-1981

END OF YEAR	PROVEN OIL RESERVES (THOUSAND BARRELS)	PRODUCTION (THOUSAND BARRELS)	RESERVES TO PRODUCTION RATIO
1962	425,000	48,876	8.7
1963	425,000	48,678	8.7
1964	425,000	49,731	8.5
1965	425,000	48,859	8.7
1966	425,000	56,603	8.1
1967	525,000	64,995	8.1
1968	525,000	66,904	7.8
1969	590,000	57,418	10.3
1970	605,000	51,048	11.9
1971	1,053,000*	47,147	22.3
1972	560,000	51,212	10.9
1973	500,000	60,670	8.2
1974	651,000	68,136	9.6
1975	651,000	78,621	8.3
1976	650,000	77,672	8.4
1977	650,000	83,620	7.8
1978	650,000	83,777	7.8
1979	655,000	78,247	8.4
1980	650,000	77,616	8.4
1981	561,000	69,114	8.1

SOURCE: Compiled from the Central Bank of Trinidad and Tobago, Monthly Statistical Digest 14 (September 1981); The Central Statistical Office, Annual Statistical Digest (1963-1978; and World Oil (1963-1982).

*This figure was seriously disputed by officials in the Ministry of Energy. Officials claimed that it was closer to 600,000.

This problem was addressed by several senior officials at the Ministry of Energy. One official pointed out that the country lacks a broad base in the sciences. It becomes difficult to cater for the industries located at Point Lisas,[4] as well as for the petroleum industry. He pointed out that there was no oceanographic institute in

Trinidad even though the emphasis in production had shifted to marine fields. It was only in 1975 that a petroleum engineering faculty was set up at the University of the West Indies at St. Augustine, Trinidad. A petroleum-testing laboratory was also set up. Research and development are only now getting started. Addressing some of the more specific deficiencies, he said, "There has never been enough (petroleum) engineers. . . . The condition of the industry does not attract petroleum engineers."[5] He added that the petroleum engineers who do come into the industry are fresh out of school and have no experience. He encouraged me to read the Mustofi Commission Report which was published in 1964 and which was a comprehensive examination of the petroleum industry at that time. He said that the report had a tremendous impact not only on the way in which the government has approached the industry but also on public attitudes towards the industry.

The Mustofi Report (examined in greater detail in Chapter VI) presented a very bleak picture of the long-term prospects of the Trinidadian oil industry. It did not see Trinidad remaining a producer beyond a decade unless newer oilfields were discovered. Since the publication of the report, the local press, in its regular reporting on the state of the oil industry, has kept the public attuned to the paucity of proven oil reserves.

A senior reservoir engineer at the Ministry of Energy was more specific in detailing the areas in which technical deficiencies exist. He started out by looking at the Amoco marine operations. He felt certain that Trinidadians could not handle Amoco's operations. Not

only did the country not have the expertise to operate in the deeper parts of the ocean, it also did not have the experience with the type of logistics that are an essential part of off-shore production. He then turned to the area of exploration and said, "We can't do the exploration. We do not have enough geophysicists. We do not have the facilities in Trinidad to process geophysical data. This is done in England by Western Geophysics (an Anglo-American consulting firm)."[6]

This official also felt that the country needed more refinery inspectors. At the present time, inspection is done by customs officials who do not have extensive training in the chemical aspects of refining. He related how Texaco may have been exploiting this situation several years ago. He stated that officials at the Ministry of Energy believed that Texaco used to introduce a dye into the lighter and more valuable end products of its refinery and pass these off to Trinidadian customs officials as lesser valued petroleum products. These were then shipped to the United States where the dye was removed by a relatively simple process.

The senior reservoir engineer also commented on the "brain drain" from the Ministry of Energy. Every year, the Trinidadian government awards scholarships to graduating high school students to enable them to study overseas to become petroleum engineers, petroleum inspectors, or geologists. At the completion of their training, these people are required by contract to return to Trinidad to work for the government for a period of five years. When the contract period is up, many of these technical people typically leave government service to take up employment with the foreign oil companies operating in Trinidad.

Salaries at these companies are usually higher than those paid by the governments. So then, the prospect of working for the private oil companies acted as an inducement for people on scholarship overseas to return to Trinidad at the end of their training. However, the previous Minister of Energy, Errol Mahabir, moved to prevent the oil companies from hiring technical personnel serving with the government. The result has been that people on scholarships rarely return home. Most of them find lucrative jobs overseas and repay the government the cost of their scholarships. This, of course, subverts the government's efforts to increase the indigenous pool of technical skills, and the government continues to depend on the technical services offered by the foreign oil companies.

There is one other characteristic of the Trinidadian oil industry that should be noted before we look at the various companies involved in the area of production. From the point of view of oil production, the geological structure in which Trinidad's oil is found is complex. Unlike neighboring Venezuela, the petroleum in Trinidad is not found in large reservoirs. Instead, because of sub-surface faulting, the subterranean reservoirs are broken into small, non-continuous reservoirs. Locating these reservoirs becomes a difficult and expensive exercise, since a larger number of wells must be sunk, and production per well is low. Production has shifted over the past decade to offshore areas. The technology employed here is much more sophisticated and operating conditions are much more difficult. However, production from existing fields has been declining and expensive enhanced-recovery methods are being used to coax the

remaining petroleum out of existing wells. One result of all of this is that production costs in Trinidad are relatively high and, until 1973, the oil companies had used this fact to squeeze concessions from the Trinidadian government.

There are five major producing companies in Trinidad. There are some smaller companies such as Trinidad Canadian Oilfield and Premier Consolidated, but their production levels are negligible and are omitted from the general discussion. The five major companies are:

(i) Amoco Trinidad Oil Company, which has been the largest producer in the country since 1972 and derives its crude oil from wells off the east coast Trinidad.

(ii) Texaco Trinidad Inc., which used to be the largest land-producing company, but its production has been on the decline since 1970.

(iii) Trinidad-Tesoro Oil Company, a joint-venture between the Trinidadian government and Tesoro of Texas, a hitherto obscure company. Trinidad-Tesoro was established to acquire the holdings of British Petroleum in 1969.

(iv) Trinidad and Tobago Oil Company (Trintoc), a fully-owned company of the government of Trinidad and Tobago. Trintoc was established in 1974, when the government acquired the holdings of Shell Trinidad Ltd., a subsidiary of the Anglo-Dutch major, Shell International.

(v) Trinidad Northern Areas (T.N.A.), a consortium in which Texaco, Shell, and British Petroleum had equal shares. Trinidad-Tesoro

took over the British Petroleum shares in 1969, and Trintoc took over the Shell shares in 1974.

Tables III-2 and III-3 demonstrate that since 1973, Amoco has been the single largest producer of crude oil in Trinidad. Over this period, Amoco's production averaged 53 percent of the total annual production. And Texaco with its shares of T.N.A.'s production

TABLE III-2

PRODUCTION OF CRUDE PETROLEUM BY COMPANY
(MAJOR COMPANIES ONLY) 1967-1981
(MILLIONS OF BARRELS)

YEAR	TEXACO	TRINTOC (SHELL UNTIL 1974)	TRINIDAD-TESORO (B.P. UNTIL 1969)	T.N.A.	AMOCO
1967	29.5	4.2	9.6	20.4	—
1968	29.6	3.6	8.4	24.2	—
1969	20.6	3.3	7.4	25.3	—
1970	16.1	3.0	7.1	24.1	—
1971	13.7	3.2	7.5	22.0	—
1972	—	—	—	—	—
1973	10.0	2.6	8.2	18.9	20.6
1974	8.9	2.4	7.9	19.0	29.5
1975	6.8	2.2	6.5	17.5	45.5
1976	7.7	2.6	6.8	17.5	43.0
1977	7.2	3.0	6.9	16.9	49.4
1978	6.6	3.2	7.4	16.2	50.3
1979	6.8	3.3	7.9	16.1	44.8
1980	6.8	3.1	9.1	14.5	43.9
1981	5.9	2.8	8.8	13.6	37.7

SOURCE: Figures for 1967-1971 were obtained from T.M.A. Farrell, The Multinational Corporations, The Petroleum Industry and Economic Underdevelopment in Trinidad and Tobago, doctoral dissertation, Department of Economics, Cornell University, 1974. Figures for Trinidad and Tobago, Review of the Economy (1978 and 1982). Reliable figures for 1972 are not available.

accounted for an average of 18 percent of total annual production. Together, these two foreign-owned companies accounted for an annual average of over 71 percent of total production.

TABLE III-3

PERCENTAGE DISTRIBUTION OF CRUDE PETROLEUM PRODUCTION BY COMPANY (MAJOR COMPANIES ONLY) 1973-1981

YEAR	TEXACO	TRINTOC (SHELL UNTIL 1974)	TRINIDAD-TESORO (B.P. UNTIL 1969)	T.N.A.	AMOCO
1967	45.4	6.5	15.0	31.4	——
1968	44.3	5.4	12.7	36.2	——
1969	35.9	5.8	13.0	44.1	——
1970	31.5	5.9	13.9	47.2	——
1971	29.1	6.8	15.9	46.7	——
1972	——	——	——	——	——
1973	17.0	4.3	13.5	31.1	33.9
1974	13.4	3.6	11.6	27.9	43.3
1975	8.6	2.8	8.3	22.2	57.9
1976	9.9	3.3	8.7	22.5	55.4
1977	8.6	3.6	8.3	20.2	59.1
1978	7.8	3.8	8.9	19.3	60.0
1979	8.7	4.2	10.0	20.7	56.3
1980	8.8	4.0	11.7	18.7	56.6
1981	8.6	4.0	12.8	19.7	54.6

SOURCE: Computed from Tables III-1 and III-2. See also The Republic of Trinidad and Tobago, Review of the Economy, 1982, p. 17.

What should also be clear, particularly after a perusal of Table III-4, is that production is declining. Table III-4 shows the breakdown of total production in terms of land production and marine production for the period 1967-1981. While total production figures prior to 1967 are available, reliable figures showing the method of

production are not available, though it may be assumed that the bulk of the annual production came from land wells, since major marine production did not begin until 1972. In any case, as shown in Table III-4, the decline in land production has been dramatic. Between 1967 and 1981, land production decreased by 60 percent. Marine production, on the other hand, was increasing until 1978. Marine production overtook land production in 1972, when Amoco began production off the east coast of Trinidad. Since that time, marine production has accounted for the greater proportion of crude oil produced in Trinidad. Over the period 1974-1981, marine production accounted for an average of 77 percent of total production per year.

The shift in the production mix from land production to marine production does have implications for the bargaining position of the host country. Theodore Moran (See Chapter I) has argued that as the host country moves up a learning curve of technological and managerial skills, its bargaining position is strengthened relative to the foreign investor. In Trinidad, those who advocate the nationalization of the oil industry have justified their position partly on the confidence that Trinidad now has the skills to run the refineries and the land operations. They point to the facts that the work force in the oil industry is made up predominantly of Trinidadians and that Trintoc, which is government owned, and Trinidad Tesoro, in which the government has majority ownership, have both operated successfully. However, the shift in emphasis to off-shore production has involved a change in technology which is controlled by a foreign company, Amoco.

TABLE III-4

PETROLEUM MINING - METHOD OF PRODUCTION (1962-1981)

YEAR	LAND PRODUCTION (1,000 BARRELS)	PERCENTAGE OF TOTAL	MARINE PRODUCTION (1,000 BARRELS)	PERCENTAGE OF TOTAL	TOTAL PRODUCTION (1,000 BARRELS)
1962					48,876
1963					48,678
1964					49,731
1965					48,859
1966					55,603
1967	39,735	61.1	25,260	38.9	64,995
1968	37,865	56.6	29,039	43.4	66,904
1969	28,992	50.5	28,427	49.5	57,419
1970	25,355	49.3	25,692	50.3	51,047
1971	24,214	51.4	22,933	48.6	47,147
1972	21,930	42.8	29,280	57.2	51,210
1973	20,166	32.2	40,504	66.8	60,670
1974	18,790	27.6	49,346	72.4	68,136
1975	15,096	19.2	65,525	72.3	78,621
1976	16,352	21.2	61,321	78.9	77,673
1977	16,484	19.7	67,135	80.3	83,619
1978	16,571	19.8	67,206	80.2	83,777
1979	17,219	22.0	61,051	78.0	78,270
1980	17,852	22.0	59,764	78.0	77,616
1981	15,896	23.0	57,218	77.0	69,114

SOURCE: The Central Statistical Office, Annual Statistical Digest (1973-1978; and The Republic of Trinidad and Tobago, Review of the Economy 1982, p. 16.

Thus it seems that just when the host country had reached a sufficiently high point on the learning curve of technological skills, it must re-start the climb on another technological learning curve. Senior officials at the Ministry of Energy confessed that the state-owned company, Trintoc, has conducted some off-shore exploration, but that the maximum water depth in which it has worked is 547 feet. In deeper acreages, the government must rely on the foreign companies which have the technology. The result, of course, is that Trinidad continues its technological dependence on the foreign companies and nationalization of the marine fields does not make sense given the lack of technical competence to operate them.

Refining

Trinidad has had the capacity of becoming a major refining center. Since independence in 1962, the two major refineries have been modernized and their respective capacity expanded. The Trintoc refinery at Point Fortin now has a rated capacity of 100,000 barrels per day. It was geared for crude oil with high sulphur content and low API gravity. Efforts are now afoot to upgrade this refinery so that it can produce lighter end products. The Trintoc refinery handles the crude production from the Trintoc land wells and those of Trinidad-Tesoro's land operations. Yet, according to Ministry of Energy officials in Trinidad, this refinery has been operating below 65 percent of capacity over the past few years, largely because of Trintoc's inability to get feedstocks from outside of the country. The other major refinery is located at Pointe-a-Pierre and is operated

by Texaco Trinidad Inc. It has a rated capacity of 350,000 barrels per day. Crude oil from Texaco's land operations is refined here.

Now the total refinery capacity available in Trinidad is 450,000 barrels per day. To keep the refineries operating at full capacity, Trinidad needs about 164.3 million barrels of crude oil annually. However, Trinidad's highest level of production occurred in 1978 and totalled 83.8 million barrels, or only about one-half of what the refineries would require to operate at full capacity. Trinidad must therefore import crude oil from outside. What worsens the refinery situation is that Amoco exports its crude oil directly to the U.S., that is, without utilizing the refining facilities in Trinidad. It should be noted here that O.P.E.C. classifies Trinidad as a net importer of crude oil and has denied Trinidad membership in the organization on that basis.[7]

As Table III-5 shows, the refineries in Trinidad have rarely operated close to full capacity, partly reflecting the difficulty of getting crude oil feedstocks. The table also shows that the greater proportion of refinery throughput is accounted for by imports from other sources of crude oil. The imported crude oil is, of course, refined for a fee and then re-exported. Over the period 1967-1978 imports accounted for over 63 percent of refinery throughput. These are brought in by Texaco from its subsidiaries in other parts of the world. The refined products are marketed through Texaco's outlets in the United States. All of this makes the government of Trinidad much more dependent on Texaco than Texaco is on it.

TABLE III-5

REFINERY THROUGHPUT (BARRELS) 1967-1978

	THROUGHPUT					REFINERY OUTPUT
YEAR	LOCALLY PRODUCED CRUDE	PERCENTAGE OF TOTAL	IMPORTED CRUDE	PERCENTAGE OF TOTAL	TOTAL THROUGHPUT	
1967	58,488,004	42.1	80,436,632	57.1	138,924,636	134,707,727
1968	59,835,383	39.6	91,446,715	60.4	151,282,088	146,859,856
1969	50,315,067	32.7	103,761,531	67.3	154,076,598	148,659,189
1970	41,595,465	26.9	113,264,796	73.1	154,860,261	150,258,601
1971	38,679,401	26.6	106,868,559	73.4	145,547,960	141,503,418
1972	37,123,742	25.7	107,149,773	74.3	144,273,516	138,895,094
1973	38,063,033	26.9	103,623,751	73.1	141,686,784	135,812,215
1974	35,347,762	27.0	95,471,942	73.0	130,819,584	127,107,931
1975	30,721,406	35.9	54,938,912	64.1	85,660,318	81,874,278
1976	32,910,827	28.0	84,684,155	72.0	117,594,982	114,304,477
1977	30,825,235	31.2	68,911,245	69.7	98,816,779	98,552,498
1978	28,964,655	33.7	56,917,187	66.3	85,881,842	83,563,081

SOURCE: The Central Statistical Office, Annual Statistical Digest (1971 and 1978).

A further look at Table III-5 reveals that since 1970, the total refinery throughput has been falling. In 1978, almost 50 percent of the total refinery capacity remained idle. There are several reasons for this. First, domestic production of crude oil has been declining, necessitating greater volumes of imports annually for the refineries. Second, much of the windfall revenues collected by producing countries, as a result of the OPEC price hike after 1973, was invested in refineries, creating an excess of refinery capacity worldwide. Finally, lower prices for refined products have also been a contributing factor.[8] This latter point will be fully discussed in the next section. Nevertheless, under these prevailing circumstances, government officials question the advisability of national ownership of the Texaco refinery.

Marketing

In the area of marketing, the foreign companies again hold a commanding position. As Table III-6 shows, the greater proportion of exports from the oil sector consists of refined products. Now the refineries in Trinidad, like many others in the Caribbean, had been established as Offshore (U.S.) refineries. As a result, the product mixes have been geared to meet the requirements of the owners and the markets serviced. Table III-6 lists the principal products of the Trinidadian refineries. Emphasis has been placed on producing the heavier end products such as residual fuel oil, which are cheaper. In fact, fuel oil accounts for nearly 60 percent of the total annual output of the refineries. The market for this product is the

TABLE III-6

ANALYSIS OF REFINERY OUTPUT

YEAR	TOTAL REFINERY OUTPUT (MILLIONS OF BARRELS)	PRINCIPAL PRODUCTS (MILLIONS OF BARRELS)									
		Fuel Oil	%of Total	Motor Gasolene	%of Total	Aviation Fuel	%of Total	Gas/diesel Oil	%of Total	Kerosene	%of Total
1967	134.7	75.0	55.7	19.6	14.6	11.7	8.7	19.5	14.4	3.7	2.7
1968	146.9	84.9	57.8	20.9	14.2	15.3	10.4	18.4	12.5	3.7	2.5
1969	148.7	88.3	59.4	21.7	14.6	15.1	10.2	16.6	11.2	2.5	1.7
1970	150.3	91.4	60.8	20.8	13.9	12.4	8.3	15.5	10.3	6.4	4.3
1971	141.5	79.3	56.0	22.9	16.2	11.5	8.1	18.7	13.2	5.8	4.0
1972	138.9	85.4	61.5	20.1	14.5	9.5	6.8	13.8	9.9	6.8	4.9
1973	135.8	81.9	60.3	19.6	14.4	8.4	6.2	15.3	12.3	7.8	5.7
1974	127.1	74.5	58.6	18.7	14.7	8.4	6.6	14.9	11.7	6.1	4.8
1975	81.9	47.5	58.1	14.0	17.0	4.0	4.8	10.8	13.1	3.9	4.7
1976	114.3	66.8	58.4	20.0	17.5	4.3	3.7	12.2	10.6	6.8	6.0
1977	98.6	56.4	57.2	19.0	19.3	2.5	2.5	10.7	10.9	5.8	5.9
1978	83.6	45.5	54.4	16.8	20.1	2.2	2.7	10.1	12.1	4.5	5.4
1979	79.6	43.5	54.6	14.8	18.6	2.3	2.9	11.7	14.7	3.2	4.0
1980	82.5	42.7	51.8	15.1	18.3	3.2	3.9	13.8	16.7	3.2	3.9

SOURCE: The Central Statistical Office, Annual Statistical Digest (1971 and 1978); Central Bank of Trinidad and Tobago, Monthly Statistical Digest 14 (September 1981), p. 57; The Republic of Trinidad and Tobago, Review of the Economy, 1982, p. 85.

northeastern United States where it is used for heating purposes during the winter. There has been great domestic clamor for increasing the proportion of lighter end products coming out of the Texaco refinery since they would fetch higher prices, but the output from the Texaco refinery continues to respond solely to the requirements of the U.S. market. In fact, Texaco's installation of a de-sulphurization plant (rated capacity of 100,000 barrels per day) at its Pointe-a-Pierre refinery was a response to anti-pollution legislation in the United States. Thus, Texaco's policies in Trinidad respond to market conditions for petroleum and petroleum products in the United States, even though these policies are not adjudged by the Trinidadian government to be in the country's best interests.

Further, the marketing experience of the state-owned company, Trintoc, has created doubts in the minds of government officials about the country's ability to market its petroleum and petroleum products if the entire industry came under state-ownership. Trintoc handles the marketing of the refined products from its refinery at Point Fortin. Crude oil for this refinery is supplied by the Trintoc oil wells, but Trintoc also buys all the crude oil produced by Trinidad Tesoro from its land operations. In its marketing operations, Trinidad assumes the role of an independent. It markets petroleum products to the Eastern Carribbean, South America (the Guianas, in particular) and the United States. Trintoc has been sustaining severe losses in its U.S. marketing operations since early 1981. This is largely due to the fact that the price of its principal product, fuel oil, has been hovering at about $25 (U.S.) a barrel, while the price of Trintoc's

crude oil is about $31 (U.S.) and Trintoc must also pay U.S. tariffs. Also Trintoc has only been able to secure short-term contracts in the United States. This has raised fears that Trinidad could acquire control over its oil industry only to find itself as a supplier of last resort. Thus the experience of Trintoc, particularly with regard to marketing, has dampened enthusiasm among government officials to acquire complete ownership of the industry, or of any other company within the industry.

Trintoc's experience also accounts for the attitude of some officials who laud the country's association with oil companies that are integrated from the well-head to the gas pumps. Amoco seems to be benefiting from this type of attitude in governmental circles. Amoco, which is the single largest producer of crude oil in Trinidad, exports all of its crude oil to the United States. Amoco's crude oil, obtained from marine fields, is of very high quality--low sulphur content and high API gravity. Amoco also buys the marine-produced crude oil from Trinidad Tesoro and exports it to the United States. The crude oil is refined in the United States and sold through Amoco's outlets. Amoco's justification for its action, which is accepted by the Trinidadian government, is that it is providing the government with a secure market in the United States.[9]

The domestic market for petroleum products, which was formerly controlled by foreign companies, is now a government monopoly. The state-owned National Petroleum Marketing Company (N.P.M.C.) handles local demand for petroleum products, primarily gasoline. The government owns all of the local gas stations and operates them

through the N.P.M.C. In 1969, when the government bought out British Petroleum, it acquired the British Petroleum gas stations. Similarly, in 1974, the government acquired control over all of the Shell gas stations. With these gas stations under its control, the government approached Texaco with a proposal to purchase the remaining gas stations, owned by Texaco. Texaco refused to sell. However, the government was selling gas at its stations at subsidized prices. This resulted in a virtual boycott of the higher priced gas available at the Texaco gas stations. Finally, in 1976, Texaco consented to sell its gas stations to the government.

Exploration

Exploration is the costliest aspect of the petroleum business. It is also the area that carries the greatest risk. And as Edith Penrose points out, in the case of a capital-poor, developing country, exploration for oil is best left to the larger international companies. The financial and technological resources at the disposal of these companies make their chances of discovering the country's oil reserves much greater than if the country undertook the task alone.[10] The Trinidadian government seems to have accepted this reasoning. Except for a limited exploration effort by the state-owned company, Trintoc, the bulk of the oil exploration is carried out by foreign companies. Exploration is currently being conducted by the following foreign companies:

(i) Agip, incorporated in Italy;

(ii) Deminex, incorporated in Germany;

(iii) Tenneco, incorporated in the United States;

(iv) Occidental Petroleum Corporation, incorporated in the United States

(v) Mobil Oil Corporation, incorporated in the United States.

Despite intense exploration activity, no major commercial oil discovery has been made. The last major oil discovery was made off the east coast of Trinidad in 1969 by Amoco, which has been producing from those fields since 1972.

The more recent exploration activity has turned up natural gas. Tenneco, in combination with Texaco, has found gas off the east coast of Trinidad, and DATO, a joint-venture of Deminex, Agip, Tenneco, and Occidental, has found gas off the north coast. These gas finds and the huge gas reserves that have been discovered by Amoco, have convinced the government that its future may lie in natural gas production. Nevertheless, the currently high oil prices serve as an incentive for continued exploration.

Conclusion

In the previous chapter, we discussed the essentiality of the petroleum industry to the Trinidadian economy. Not only has the petroleum industry been the principal engine of growth in the economy, but oil revenues, particularly after 1973, have allowed the government to engage in a massive subsidization program in industry and in social welfare. Given the country's dependence on petroleum revenues, we concluded that governmental policy affecting the oil industry needed to be formulated with caution.

In the present chapter, we look at the realities of the Trinidadian oil industry, which must weigh heavily on governmental decision-making. While the revenues from oil have been enormous and while the economy has grown enormously after 1973, Trinidad remains a minor oil producer with very little impact on the international oil industry. It continues to depend on foreign companies for technology, both in production and continuing exploration, crude oil to keep its refineries in operation, and most importantly, for markets for its petroleum and petroleum products. The absence of any new oilfields portends a bleak future for the Trinidadian oil industry. These considerations alone would suggest that nationalization of the industry has never been a realistic option for the government.

However, as Smith and Wells point out, governments may be forced by domestic political pressures to make demands on foreign companies that neither their bargaining strength nor their economic interests warrant.[11] In the next two chapters, we will look at the types of domestic pressures that have been brought on the government to alter its policies towards foreign investment, in general, and the oil industry in particular.

Notes

[1]Jan Knippers Black, et al., Area Handbook for Trinidad and Tobago (Washington, D.C., 1976), p. 221.

[2]Ministry of Energy, History of Oil in Trinidad (Appendix I), (undated), p. 1.

[3]Trevor M. A. Farrell, The Multinational Corporations, The Petroleum Industry and Economic Underdevelopment in Trinidad and Tobago, Ph.D. Dissertation, Cornell University, 1974, pp. 99-100.

[4]Pt. Lisas is the site of most of the newer industries.

[5]Interview, Ministry of Energy, Port-of-Spain, Trinidad, February 16, 1982.

[6]Interview, Ministry of Energy, Port-of-Spain, Trinidad, March, 2, 1982.

[7]Interview, Ministry of Energy, Port-of-Spain, Trinidad, March 2, 1982.

[8]Ibid. For a government view of the trend the Trinidadian oil industry is likely to take in the near future, see Trevor M. Boopsingh, "The Petroleum Industry - the Next Decade," Ministry of Energy and Energy-Based Industries, Trinidad and Tobago, January 1, 1980; and the Conference Report on Best Uses of Our Petroleum Resources (Volume I) (undated). The conference was held at Chaguaramas from January 13 to January 15, 1975 and was sponsored by the Government of Trinidad and Tobago.

[9]Interview, National Energy Corporation, Port-of-Spain, Trinidad, February 19, 1982.

[10]Edith Penrose, The Large International Firm in Developing Countries: The International Petroleum Industry (Cambridge, Mass.: The M.I.T. Press, 1968), pp. 236-238.

[11]Smith and Wells, Jr., Negotiating Third World Mineral Agreements, p. 18.

CHAPTER IV

THE ETHNIC BASIS OF POLITICS IN TRINIDAD

Introduction

A hypothesis that enjoys widespread acceptance among scholars who study the relations between the multinational corporation and the developing host country is that as the foreign-controlled industry increases in importance to the economy of the developing country, the foreign investors in that industry become an object of attack by domestic groups opposed to the government. The increasing visibility of the foreign companies causes domestic political and economic groups to closely monitor and criticize the behavior of the foreign companies. This is especially true if the foreign-controlled industry dominates the economy of the developing country in the sense that it determines the rate of growth of the economy, it is the principal contributor to governmental revenues, and it is the largest earner of foreign exchange in that country. Political groups will constantly be vying with one another to squeeze more and more out of the companies in the hope that their domestic support will increase in proportion to the intensity of their demands.

In Chapters II and III, we demonstrated that the Trinidadian economy is highly dependent on the oil industry, which is dominated by the foreign oil companies. Chapters IV and V will now explain how the foreign companies became a major issue of domestic politics. The present chapter explains why, during the first decade of rule by the People's National Movement (P.N.M.), the foreign companies were

insulated from domestic politics. This chapter explains the basis for the P.N.M.'s continued stay in power. It also explains why the opposition party was unwilling and unable to make political capital out of the presence of the foreign companies operating in the country.

The analysis in this chapter will reveal the following major points:

(i) There has been no change of government since 1956, that is, the same party, the P.N.M., has been in power since that time. This uninterrupted stay in power can be explained by the fact that voting behavior in Trinidad is primarily determined by ethnic affiliation, and the P.N.M. has been able to secure continuity in government by presenting itself as the champion of the interests of the Negro majority.

(ii) Between 1956-1971, the parliamentary opposition party was the Democratic Labor Party (D.L.P.). The party was decidedly pro-business in its orientation. As a result, it gave the impression that it was defending all foreign companies. The P.N.M. by comparison appeared to be much more radical and therefore much more attractive to nationalists within Trinidad.

(iii) The D.L.P. drew its support predominantly from the East Indian population which resided in the sugar belt. Sugar became the principal concern of the D.L.P. It is doubtful whether the D.L.P. or its affiliated sugar union advanced the interests of the sugar workers as much as they could, but the party

developed a competence in the sugar industry which it did not develop in the oil industry.

(iv) Given the pattern of ethnic voting and the fact that the oil belt was populated largely by the Negroes, the D.L.P. may not have been as motivated to take as close an interest in the oil belt as it did in the sugar belt. However, even as the national opposition party, it failed to take advantage of its position to question oil policy or to initiate changes in policy. Consequently, the government was relieved of an important source of domestic pressure aimed at the foreign-controlled oil industry.

(v) After 1962, the D.L.P. became plagued by organizational troubles. These consumed the energies and abilities of opposition leaders, which in turn gave the government a free hand to legislate and implement policies.

Ethnic Composition of Trinidad

Table VI-1 shows the ethnic composition of the Trinidadian population. An examination of the table should give one an idea of the cultural complexity of the population.

In large measure, the settlement pattern of Trinidad was historically similar to the other Caribbean islands. Under Spanish rule, Trinidad was virtually ignored since Spain was far more interested in the mineral-rich areas of the New World. The enslavement of the indigenous Indians on the island led to a rapid decline in their numbers, and Africans were brought to the island as

TABLE IV-1

ETHNIC COMPOSITION OF THE POPULATION OF TRINIDAD AND TOBAGO (1962, 1970)

ETHNIC GROUP	1962 TOTAL MALE & FEMALE	% OF TOTAL POPULATION	1970 TOTAL MALE & FEMALE	% OF TOTAL POPULATION
NEGRO	358,588	43	398,765	43
EAST INDIAN	301,946	36	373,538	40
WHITE	15,718	2	11,383	1
CHINESE	8,361	1	7,962	1
MIXED	134,749	17	131,904	14
SYRIAN/ LEBANESE/ OTHERS	6,714	1	7,519	1
TOTAL	826,076	100	931,071	100

SOURCE: The Central Statistical Office, Annual Statistical Digest (1963 and 1978). The 1970 census figures are the most recent published by the government.

slaves to boost the production of tobacco and coffee in the eighteenth century. However, it was not until the last quarter of the century that settlement and agricultural productivity showed dramatic increases due to a change in Spanish colonial policy which opened up the island to immigration. French planters and their slaves came in large numbers from other Caribbean islands, and began sugarcane cultivation.

With the emancipation of the slaves in 1834, a shortage of labor for the sugar plantations developed. The problem was resolved by the introduction of indentured labor from Hong Kong, Portuguese Madeira and from India. When the indenture system was brought to an end in

1917, the Indians in Trinidad accounted for about one-third of the total population. And as Table IV-1 shows, the Indians are the most rapidly increasing ethnic group in the country.

The People's National Movement (P.M.N.) has been the party in power since 1956. It has won every national election since that time, so that its continuity in government has been acquired by democratic means.[1] Even so, what accounts for this consistent pattern of successes at the polls is the ethnic voting pattern in Trinidad. As one opposition leader put it, "This government does not depend on its performance for political support. It falls back on race."[2] To understand fully how this pattern of voting developed, it is necessary to retrace the development of party politics in the island.

Early Political Mobilization

Political consciousness among Afro-Trinidadians began to develop after World War I. Negroes, who had left Trinidad to serve with the British West India Regiment in Europe, had been told that theirs was a crusade to make the world safe for democracy. The European experience had shattered many of the myths that had served to buttress British colonial rule and the Afro-Trinidadians returned home determined to get a better deal from the system. Many returning servicemen became associated with Captain Andrew Cipriani, the White officer who had commanded their regiment and who had now entered active politics as a champion of the underdog. He founded the Trinidad Labor Party in 1934. Although he drew the majority of his support from urban Negroes, he had succeeded in forging a coalition between Negroes and

Indians. In fact, a number of prominent Indians, the most notable of whom was Adrian Cola Rienzi, were closely identified with Cipriani. Rienzi, a lawyer with socialist leanings, was in charge of organizing trade union activity in South Trinidad.[3]

By 1935, there were signs that the Cipriani movement was fragmenting. Cipriani was quite old. He seemed unable to control the mass following he had created and was unwilling to share leadership or to listen to the younger voices in his party. Also, Negro workers in the oil belt were growing impatient with Cipriani's gradualist policies. Eventually, two of his lieutenants, Adrian Cola Rienzi and Tubal Uriah Butler, a Negro political agitator, broke away from the Trinidad Labor Party and took a sizable proportion of the membership with them.[4]

In 1937, Butler called a general strike in the oil belt. The strike and the accompanying violence resulted in the loss of fourteen lives and in the injury of about fifty-nine others. The purpose of the strike was to redress some long-standing grievances of Negro workers in the oil belt. However, the strike also dramatized the need for social, political and economic reforms in the colony.[5]

Two important consequences grew out of the 1937 disturbances. The first was the recognition by the colonial authorities of the right of the Trinidadian workers to unionize. Under Adrian Cola Rienzi, who had been the workers' principal negotiator during the strike, two of the most powerful unions in the country's history were established--The Oilfields Workers Trade Union (O.W.T.U.) and the All Trinidad Sugar Estates and Factory Workers Trade Union (A.T.S.E.F.W.T.U.). The

O.W.T.U. was recognized in 1938, but the A.T.S.E.F.W.T.U. was not recognized until 1945. Rienzi was the President of both unions and a great amount of cooperation existed between the unions. Like Cipriani, Rienzi had succeeded in "mixing oil with sugar," that is, forging a coalition between the Negro oil workers and the Indian sugar workers. The second result of the 1937 strike was that it drew British attention to the need to change the constitutional instruments governing the colony, and this led to the granting of adult suffrage to the colony.[6]

The first election under adult suffrage was held in 1946. The constitution in force at the time allowed nine elected seats in a legislature of eighteen members. The other nine members were nominated by the British governor who exercised veto power over the proceedings of the legislature. Among the numerous political groups and independents that contested the election was the Trades Union Congress, a group of labor unions.[7] This is noteworthy because it marked the beginning of a tradition of direct labor involvement in the politics of Trinidad.

Bitter controversy developed over the constitutional arrangements governing the colony and this led to constitutional reforms which were instituted in 1950. Under the constitution of 1950, the legislature was to be composed of eighteen elected members, four ex-officio members and five nominated members, presided over by an appointed speaker. For the first time, the elected members in the legislature would outnumber the non-elected. The constitution also provided that the Executive Council should become the principal instrument of policy

with a ministerial system in which the elected members of the Executive Council would be responsible for the administration of government departments. However, members of the Executive Council were still to be selected by the Governor.[8]

The 1950 election was fiercely contested. One hundred and forty-one candidates contested for the eighteen available seats. Ninety of these candidates were independents and the other fifty-one carried a party label of some sort. Six of the independent candidates were successful in winning a seat each. The Caribbean Socialist Party, the Trinidad Labor Party and the Political Progress Group each won two seats, while the Butler Party, which was a Negro-Indian alliance, won six seats, the largest number won by any party in the legislature. However, when the members of the Executive Council were selected by the governor, none of the Butlerites were chosen. The feeling was that Butler did not have the administrative and intellectual preparation to execute ministerial duties.[9]

There are some common characteristics about the elections of 1946 and 1950. Ethnicity was not yet the dominant variable in political life. Political parties mushroomed at election time and faded soon afterwards. The parties tended to be a collection of individuals around some central personality with little organizational structure and no comprehensive program. In large measure, this was due to the constitutional constraints which discouraged party cohesion and which did not hand over executive decision-making to the majority party.

The Emergence of a Two-Party System

The election of 1956 was a dramatic shift from the two previous ones. The Constitution introduced in 1956 promised full internal self-government and gave impetus to the establishment of mass-based parties in Trinidad. The new constitution increased the number of elected members of the legislature to twenty-four. It also provided for the election of a Chief Minister by the Legislative Council. The Chief Minister would be the leader of both the Executive Council and the Legislative Council. The Executive Council would consist of ten members, including the Chief Minister. The number of nominated members of the Executive Council was reduced to two--the Colonial Secretary and the Attorney General, who were ex-officio members. The Governor would allocate the ministerial portfolios, but only after consultation with the Chief Minister. The framers of the 1956 constitution attempted to create a British type of cabinet government.[10] The conditions were now set for political parties to compete for control of the Executive Council.

The People's National Movement (P.N.M.), which was victorious in the 1956 national elections, began as the Political Education Group. It was a group of predominantly Negro professionals who met regularly to discuss the political problems facing Trinidad. The chief spokesman for the group was Dr. Eric Eustace Williams. Williams acquired a reputation in Trinidad as an educator. He had obtained a D. Phil. degree in History from Oxford University, and had taught Political Science at Howard University in Washington, D.C. In 1948, he took up a research position with the Anglo-American Caribbean

Economic Commission, which permitted him to return to the Caribbean. He gave numerous public lectures in Trinidad, many of which dealt with non-political subjects. As a result of these, he became very well known in Trinidad and began to develop a following.[11] He became actively involved in politics in 1955 when his application was turned down for the vacant position of Secretary-General of the Caribbean Economic Commission.[12] Williams used this issue to launch his political career. As Selwyn Ryan put it: "His main strategy was to get the masses to regard his personal struggle as their struggle--the struggle of the qualified black West Indian for recognition and advancement."[13] In protraying himself as the restorer of Negro self-respect, Williams was striking a very harmonious chord in the minds of the Negroes. The issue of Negro self-respect had been central to the struggle of Butler and his followers in the oil belt. Williams appeared to be a new prophet who would take black consciousness to a higher level.

At Woolford Square in Port-of-Spain, Williams lectured on the origins and consequences of the slaves and on the nature of the slave regime and economy. His lectures had a mesmerizing effect on the Negro. As Oxaal observes, "For many lower class Negroes, particularly Creole (Negro) women, Dr. Williams was nothing less than a messiah come to lead the black children into the Promised Land."[14] However, Oxaal points out that the image of Williams as a racial messiah, though strongest among the Black lower class, was by no means also confined to this class. It could be found in the Negro middle class.[15]

The People's National Movement was inaugurated on January 15, 1956. It was well organized and presented a comprehensive political program embodied in a party pamphlet called The People's Charter. The Charter called for constitutional reform and outlined a program for the achievement of a welfare state. However, the P.N.M. became regarded as an instrument for the advancement of the Negro interests. As Ryan put it: "Politically conservative Hindus, White settlers and businessmen, the Catholic Church, the old-line trade unions, and political leaders all feared its influence over the Negro masses. . ."[16] The P.N.M. became the target of attacks from both the opposition parties as well as from the independent candidates. The principal charge was that Williams was driving a racial wedge into the community.[17]

The major threat to P.N.M. electoral success in 1956 came from the People's Democratic Party (P.D.P.), a conservative party, founded in 1953 by Bhadase Sagan Maraj, an Indian and one of the wealthiest men on the island. Maraj has become a legendary figure in Trinidadian politics. He was not a man with much formal education, but he was tough and practical-minded. Maraj derived his political strength by virtue of his control over the Sanatan Dharma Maha Sabha, the umbrella organization of the Hindus, and from his control over the sugar union. His style of politics was essentially clientelistic. He built schools and temples in the Indian areas and gave liberally to the poor and needy. As Maraj's political influence among the Indians grew, he was joined by Ashford Sinanan and Mitra Sinanan, two top lawyers in Trinidad who had already proved themselves as able parliamentarians,

and by other politically ambitious Indians. Thus the Indian-dominated P.D.P. prepared to confront the Negro-dominated P.N.M.[18]

There were four other major parties which contested the 1956 election. First, there was the Party of Political Progress Groups (P.O.P.P.G.). It represented the local White upper and middle classes and was identified with the Chamber of Commerce, the Catholic Church, and the old colonial order. The party accused Williams of subtly invoking Negro hostilities against Whites by periodic resurrections of "slave history." Second, there was the Trinidad Labor Party (T.L.P.) which claimed that as the party of Cipriani it was the true heir to the leadership of the working class. Third, there was Butler Party which argued that Butler was the only leader who had been successful in bridging the gap between the Indians and the Negroes. Fourth, there was the Caribbean National Labor Party (C.N.L.P.) the leadership of which was drawn predominantly from labor unions. The party leader was John Rojas who was also the President of the Oilfields Workers Trade Union. The party advocated greater state control over the oil industry.[19]

When the results of the election were declared, the P.N.M. had won a majority of the seats. Of the twenty-four elective seats contested, the P.N.M. won thirteen but with only 39 percent of the votes cast. The P.D.P. won five seats with 20.3 percent of the votes. The T.L.P. and the Butler Party each won two seats. The remaining two seats were won by independents. The P.O.P.P.G. failed to win any seats in the legislature. The party performed well in areas where Whites predominated but these were not enough to earn the party a

seat. The P.N.M. won its seats from the predominantly black urban areas. It failed to win any seats in areas where the Indians predominated, especially in the sugar belt. In these areas, the P.D.P. was triumphant. In fact, the P.D.P. only fielded candidates in 14 of the 24 constituencies. It did not put up candidates in any of the areas where the Negroes had a majority such as San Fernando, Port-of-Spain, and Laventille.[20] Thus, while a two party system seemed to have emerged, its basis was ethnic. This became even more evident after the federal elections of 1958.

The Federal Elections and the Intensification of Racial Animosity

A federation of the British West Indian islands had been proposed by the British government as the price for independence from Great Britain. Trinidad was one of the ten colonies that opted to join the federation. Port-of-Spain, Trinidad, was chosen as the federal capital. The West Indies Federation came into effect in January 1958, and elections for the federal parliament were scheduled for April of that year.[21]

Two federal parties contested the election. The first was the Federal Labor Party led by Norman Manley of Jamaica. Manley had successfully persuaded the P.N.M. to join his federal party, so that the P.N.M. became the Trinidad unit of the Federal Labor Party. The other federal party was the Democratic Labor Party led by Sir Alexander Bustamante, Manley's cousin and political rival. In an effort to establish a Trinidad unit of the federal Democratic Labor Party, Bustamante visited Trinidad on May 17, 1957 and held

discussions on the subject with the executives of the P.D.P., the T.L.P., the P.O.P.P.G., and the Butler Party. Of these parties, the P.D.P, the T.L.P. and the P.O.P.P.G. agreed to become affiliated to the federal Democratic Labor Party. In fact, on May 23, 1957, the Trinidad unit of the Democratic Labor Party was launched, which was no more than a loose coalition of the P.D.P., T.L.P., and the P.O.P.P.G. However, the leaders of these three parties realized that it made little sense to unite in federal politics and yet be opposing each other in local politics. At a special conference of the three parties held on July 18, 1957, a decision was taken to dissolve the three parties and to form a single party to be called the Democratic Labor Party (D.L.P.) of Trinidad and Tobago, and this party would also serve as the Trinidad affiliate of the federal Democratic Labor Party. The leader of Trinidad's D.L.P. was Bhadase Sagan Maraj, and the D.L.P. became the official opposition in the Legislative Council of Trinidad.[22]

The Federal Labor Party, to which the P.N.M. was affiliated, portrayed itself as a socialist united front. The D.L.P. of Trinidad, on the other hand, campaigned against the establishment of any form of socialism in the West Indies. The deputy leader of the party, Ashford Sinanan, stated: "We are inflexible in our advocacy at all times that the only hope of the entire West Indies is the belief in private enterprise."[23]

The results of the 1958 elections shocked Williams and the P.N.M. The D.L.P. had defeated the P.N.M. by winning six out of the ten federal seats allocated to Trinidad. It was clear that the

victory of the D.L.P. was made possible by the support of non-Indian groups including Negroes who were disenchanted with Williams and the P.N.M. Williams made his reaction to this defeat known a few days after the elections. In an address before a predominantly Negro audience, Williams accused the Indian community of voting on the basis of race. He also chastised the Negro population for apathy and lethargy and for apparently not rallying round the P.N.M. Williams was criticized for this speech by the press and by the political opposition because it seemed to lay the foundation for further ethnic polarization in the colony.[24] Thus, participation in the federal election of 1958 had the effect of entrenching a two-party system in Trinidad, but it also had the effect of intensifying racial animosity on the island.

Leadership Problems Within the D.L.P.

The D.L.P. had been established by a coalition of three political parties, united in their opposition to the P.N.M. The leader of the party was Bhadase Sagan Maraj. Maraj was very successful not only in mobilizing the support of the Indians, but also in manipulating the discontented non-Indian elements in the country. The results of the 1958 federal elections had demonstrated this. However, the younger Indians within the party were unhappy with Maraj's leadership. They felt that he lacked education, his manners and methods were crude, and that he was no intellectual match for Williams. They wished to see Maraj replaced by someone of the intellectual stature of Williams.[25]

In 1959, an opportunity for a change in leadership arose when Maraj was kept out of active politics by protracted illness. Because no one seemed capable of maintaining discipline within its ranks, the party was in disarray. The search for another leader intensified and the choice eventually fell on Dr. Rudranath N. Capildeo.[26]

Rudranath Capildeo had had a brilliant academic career. He had earned his Ph.D. in Physics from London University. During 1958-59, he was Principal of Trinidad Polytechnic and was therefore available locally. Those who supported his candidacy for the party leadership felt that such a move would enable the D.L.P. to woo back Indian intellectuals and professionals, provide a hero figure for the rural Indian masses, and at the same time present the non-Indians who were alienated from the P.N.M. with a pole of intellectual caliber around which they could settle. Although the selection was accompanied by bitter factional struggles, the fear of another five years of Negro rule if the P.N.M. prevailed in the forthcoming elections forced a closing of ranks behind the new leader.[27] However, as events would reveal, Capildeo was ineffectual as a politician.

The 1961 election was held amidst intense racial lobbying and opposition charges that the new electoral rules were formulated to disadvantage them. As a former D.L.P. official pointed out, all previous elections had been "ballot box" elections, including the 1958 federal elections which the P.N.M. lost. The P.N.M. government proposed to introduce voting machines in the 1961 election. The D.L.P. objected to this change on two grounds. First, the D.L.P. argued that the voting machines would scare away many unsophisticated

rural voters. Second, the D.L.P. voiced the suspicion that the voting machines had been fixed to ensure a P.N.M. victory. They challenged the government to have the machines independently examined and suggested that the machines be used on an experimental basis in the local government elections prior to the 1961 national election. The P.N.M. government refused.[28]

The D.L.P. also objected to the manner in which voter registration was being conducted as well as to the way in which the electoral boundaries were being demarcated. The D.L.P. argued that too many powers were granted to the registration officers who were predominantly Negroes and therefore pro-P.N.M., and that they did not expect free and impartial registration of voters, given the state of race relations in the country. The D.L.P. also expressed its fears about the fairness of electoral boundaries which were to be demarcated by a P.N.M.-dominated commission. Of these boundaries, Selwyn Ryan had this to say: "There is no doubt whatsoever in the writer's mind that the constituencies were gerrymandered."[29]

Radical tempers flared in this election. "Programme and policy were secondary questions in the election of 1961: it was primarily a struggle between the two ethnic groups for political power."[30] In a campaign speech, Eric Williams suggested that a Negro who did not identify with the P.N.M. was a traitor. And Capildeo in a fit of anger issued a call to arms.[31] When the results of the election were declared, the P.N.M. had won 20 of the 30 seats with 57 percent of the popular vote, and the D.L.P. won the remaining 10 seats with 42 percent of the vote.[32]

Williams won another term in office. In fact, he was never defeated at the polls. Opponents claim that he maintained political power by subtly manipulating racial sentiments within the country. He used the threat of domination by non-Negro groups to forge cohesion within the Negro majority. He also used his control over the state machinery to dispense patronage. He created a massive "special works" program (see Chapter III). He bought over all of the public utilities in the 1960s and turned all of these into employment agencies for party members. He also manipulated the electoral boundaries. According to opposition leaders, these continue to be the means utilized by the P.N.M. to maintain itself in office.[33]

Fragmentation of the D.L.P.

On August 31, 1962, Trinidad became independent, and the P.N.M. settled into the remaining four years of its rule. Within the D.L.P., however, a system of absentee leadership began to develop. Capildeo, the D.L.P. leader, accepted a teaching position at the University of London in 1963. However, Capildeo retained the leadership position in the D.L.P., as well as in the parliamentary opposition. He only attended a few sittings of this entire legislative term and did so when the University recessed. This anomaly caused havoc within the D.L.P. leadership. The P.O.P.P.G. and the T.L.P. elements of the party broke away in 1964 and formed the Liberal Party under the leadership of Peter Farquhar. What remained of the D.L.P. was essentially the Indian component of the party.[34]

Further fragmentation began to occur in the D.L.P. Capildeo had appointed Stephen Maharaj, a druggist, to act as the party leader during his absence. However, Maharaj could not exercise effective control over the party for two reasons. First, he did not have a high level of formal education. In fact, he compared poorly with the other senior party officials, who had high academic credentials. Second, Maharaj was a socialist while the senior members of the executive had strong links with the business community.[35]

The differences between Maharaj and the rest of the D.L.P. executive took the form of an open confrontation in 1965. On March 12, 1965, the P.N.M. government introduced a bill designed to restrict the ability of trade unions to strike. Maharaj issued instructions to the D.L.P. parliamentarians to vote against the bill. However, not only did they defy his instructions and vote for the bill, they also engineered his dismissal as the Leader of the Opposition. Maharaj then broke from the D.L.P. and joined with several other prominent socialists to establish the Workers and Farmers Party.[36]

The next split in the D.L.P. came in 1968. Capildeo returned to Trinidad to contest the 1966 election. The number of seats had been increased from 24 to 36. The P.N.M. won 24 of those seats and the D.L.P. won the remaining 12. However, shortly after the elections, Capildeo went back to England and Vernon Jamadar became the acting leader of the party. In 1968, the D.L.P. executive delivered an ultimatum to Capildeo, requiring him either to return to Trinidad or relinquish the leadership of the party. Since Capildeo did not return, he was removed from the position of party leader. This

provoked a further division of the D.L.P. into two factions: a pro-Capildeo faction and a pro-Jamadar faction.[37]

The coup de grace to Capildeo's political career was delivered by the Speaker of the Legislature in 1968 when he refused Capildeo any further leave of absence from the sessions of parliament and declared the seat vacant. A by-election was held in Capildeo's constituency of Chaguanas. It was won by Bhadase Sagan Maraj who was attempting a political come-back. In January 1969, the pro-Capildeo faction in the legislature linked up with Bhadase Sagan Maraj. Bhadase Maraj called this group the Democratic Liberation Party, an obvious attempt to capitalize on the symbolic importance of the initials D.L.P.[38]

In 1970, a split occurred in the P.N.M. The Deputy Prime Minister, A.N.R. Robinson resigned from office. He later founded the Action Committee of Dedicated Citizens (A.C.D.C.). The A.C.D.C. formed a coalition with the Jamadar faction of the D.L.P. in order to contest the 1971 elections. Robinson insisted on electoral reforms before he would contest the national elections. When such reforms were not forthcoming, the A.C.D.C.-D.L.P coalition ran a very strong campaign advocating a mass boycott of the election. It proved to be a very effective campaign even though the A.C.D.C.-D.L.P alliance was dissolved before the election. It was the lowest voter turn-out in Trinidadian history. Only 33.6 percent of those eligible actually cast their votes. As a result of the A.C.D.C.-D.L.P. efforts, however, Bhadase Sagan Maraj's Democratic Liberation Party which ran against the P.N.M. and thereby legitimized the election, failed to win

any seat. The P.N.M. thus won all 36 seats with 28.3 percent of the vote.[39]

In the latter part of 1972, there was a thrust within the D.L.P. (Jamadar) to initiate unity talks with the Democratic Liberation Party. Both Rudranath Capildeo and Bhadase Sagan Maraj had died, and it was felt by some that rapprochement was possible. Jamadar apparently opposed the move and it fell through. This precipitated a further split in the Democratic Labor Party. At a special Convention of the party, held on December 3, 1972, Jamadar and two of his lieutenants were removed from their positions within the party. Party leadership was passed on to Alloy Lequay, the party's general secretary. Jamadar responded by taking the matter to the High Court to get an annulment of the special convention and its proceedings. The matter dragged on in the courts for about two years. In November 1974, the High Court ruled against the Jamadar motion. Jamadar appealed the court's decision, but lost the appeal.[40]

The final blow to the Democratic Labor Party came in the 1976 general election. Two factions of the party contested the election, one faction under Jamadar and the other under Lequay. Neither won any seats, and the party--all factions of it - seems to have disappeared from the political scene.

Conclusion

This chapter has traced the emergence of ethnicity as the most important variable in Trinidadian political life. The ethnic basis of politics in that country relegates all other issues or policies to a

secondary position. Ethnicity has guaranteed the ruling party an uninterrupted tenure in office. The ethnic arithmetic has ensured that the governing party will not be penalized electorally for its policies, including those affecting the oil and sugar industries, which are critical to the economy in Trinidad. However, security of tenure bred complacency on the part of the government. Until 1969 when it was jolted by the impending withdrawal of British Petroleum, the government had instituted no new petroleum policy.

The parliamentary opposition party did not make any significant impact on policy-making over the period 1956-1971. Its open advocacy of distinctly pro-business positions did not sit very well with the nationalistic mood that pervaded a sizable segment of the population. But more importantly, while the P.N.M. was consolidating its position in government, the parliamentary opposition became caught in internal turmoil and fragmentation. First, the party leader tried to run the affairs of the party from London. This set in motion a struggle for the leadership of the party. Then, of course, factional strife drove the party out of existence.

The fragmentation of the D.L.P. created a political vacuum which the radical unions, led by the oil union, began to fill. The oil union leadership and its political allies realized that any serious challenger to the P.N.M. had to be able to bridge the ethnic gap between the Negroes and the Indians. And as Chapter V will show, they eventually chose the issue of foreign control over the key sectors of the economy to mobilize opposition to the P.N.M. government.

Notes

[1]Opposition leaders complain that the P.N.M. government engages in massive gerrymandering of the constituencies. They claim that the Electoral District Boundaries Commission is usually packed with government supporters and that the Commission tries to create majorities for the P.N.M. in most constituencies by using the results of previous elections.

[2]Interview, Port-of-Spain, Trinidad, February 26, 1982.

[3]Selwyn D. Ryan, Race and Nationalism in Trinidad and Tobago: A Study of Decolonization in a Multiracial Society (Toronto: University of Toronto Press, 1972), pp. 28-37. See also Ivar Oxaal, Black Intellectuals Come to Power: The Rise of Creole Nationalism in Trinidad and Tobago (Cambridge, Mass.: Schenkman Publishing Company, Inc., 1968), pp. 50-51.

[4]Ryan, Race and Nationalism, pp. 39-41.

[5]Ibid., pp. 45-46.

[6]Ibid., pp. 58-67. See also the O.W.T.U. pamphlet, Oilfields Workers Trade Union, July 1937-July 1977 (Trinidad and Tobago: Syncreators Ltd., 1977), p. 19.

[7]Yogendra K. Malik, East Indians in Trinidad: A Study in Minority Politics (London: Oxford University Press, 1971), p. 76.

[8]Ann Spackman, "Constitutional Development in Trinidad and Tobago," Social and Economic Studies 14 (December, 1965), pp. 285-287.

[9]Ryan, Race and Nationalism, pp. 86-90.

[10]Spackman, "Constitutional Development in Trinidad and Tobago," p. 288.

[11]Interview, Port-of-Spain, Trinidad, April 1, 1982.

[12]For Williams' own account of his relations with the Caribbean Commission and his entry into politics, see Eric E. Williams, Inward Hunger: The Education of a Prime Minister (London: Andre Deutsch, 1969), pp. 81-143.

[13]Ryan, Race and Nationalism, p. 109.

[14]Oxaal, Black Intellectuals Come to Power, p. 100.

[15]Ibid., p. 101.

[16]Ryan, Race and Nationalism, p. 103.

[17]Malik, East Indians in Trinidad, pp. 92-93.

[18]Ibid., pp. 83-87.

[19]Ryan, Race and Nationalism, pp. 128-138.

[20]Malik, East Indians in Trinidad, pp. 94-95.

[21]Ibid., p. 96.

[22]Ibid., pp. 97-99.

[23]Ryan, Race and Nationalism, p. 187.

[24]Ibid., pp. 187-195.

[25]Interview, San Fernando, Trinidad, March 23, 1982.

[26]Ibid.

[27]Malik, East Indians in Trinidad, pp. 106-107.

[28]Interview, San Fernando, Trinidad, March 23, 1982.

[29]Ryan, Race and Nationalism, p. 245, footnote 14.

[30]Malik, East Indians in Trinidad, pp. 112-113.

[31]Ryan, Race and Nationalism, pp. 249-260.

[32]Malik, East Indians in Trinidad, p. 120.

[33]Interview, Port-of-Spain, Trinidad, March 30, 1982.

[34]Interview, San Fernando, Trinidad, March 23, 1982.

[35]Ibid.

[36]Ibid.

[37]Ibid.

[38]Ibid.

[39]Ryan, Race and Nationalism, pp. 482-483.

[40]Interview, San Fernando, Trinidad, March 23, 1982. See also Alloy Lequay, "Democratic Labor Party: The Struggle for Unity, 1968-1975," (undated).

CHAPTER V

THE NATIONALIZATION DEMAND AS A COUNTER-MOBILIZATION STRATEGY

Introduction

In Chapter IV we argued that ethnicity has emerged as the dominant variable of political life in Trinidad. The P.N.M. has come to be identified as the defender of Negro interests in the country and the D.L.P., at least up until 1966, came to be identified with the interests of the East Indian community. It became clear to the Trinidadian left,[1] which consisted of predominantly Negro union leaders, that in order to challenge the P.N.M. government, it needed the support of the East Indians. The purpose of this chapter is to elaborate on the strategy adopted by the political left to line up Indian support. We will show that the strategy involved an attempt to forge an inter-ethnic alliance between the Negroes in the oil belt and the East Indians in the sugar belt by appealing to common class interests. Essential to this strategy was the identification of the foreign capitalists in the oil and sugar industries as the common enemy of the working class. Thus the demand for the nationalization of the oil and sugar companies, while consistent with the socialist beliefs of its advocates, was an essential part of a mobilization strategy aimed at bridging the ethnic gap between the Negro working class and its Indian counterpart.

The analysis in this chapter will reveal the following major points:

(i) Trade unions in Trinidad had carved out a political role for themselves long before the country became independent. When fragmentation of the D.L.P. rendered that organization politically ineffective, the radical unions rushed in to fill the political vacuum.

(ii) The first post-independence attempt to forge a coalition between Negro oil workers and Indian sugar workers took place in 1965. The P.N.M. government prevented its consummation by declaring a state of emergency and by enacting a law to proscribe strikes.

(iii) The Black Power Revolution of 1969-1970, which had the active support of the radical trade unions, was a significant turning point in domestic politics. The role of the foreign companies in the economy of the country became firmly established as a major issue of domestic politics.

(iv) Between 1974 and 1977, the political left intensified its efforts to forge an inter-ethnic alliance by using the demand for the nationalization of the foreign oil and sugar companies, which were portrayed as the exploiters of the Negro and Indian working class. A coalition developed but parochial interests and ideological differences caused the coalition to fragment.

The Genesis of Political Unionism[2] in Trinidad

The major unions in Trinidad predate all of the current political parties. In fact, before 1956, political parties were very weak. In the 1950 election, for example, one hundred and forty-one candidates,

most of whom were independents, contested for the available eighteen seats in legislature. In this setting, trade unions took on political functions.

The labor movement had played a major role in advancing Trinidad towards self-government. It had fought for constitutional reform in the colony. It was the 1937 strike, organized by Butler and Rienzi, that had forced the British authorities to consider constitutional changes that would allow more mass political participation.

The growth of the trade union movement accelerated after the 1937 strike. Soon after the strike, several unions became registered, including the Oilfields Workers Trade Union (O.W.T.U.), the All Trinidad Sugar Estates and the Factory Workers Trade Union (A.T.S.E.F.W.T.U.), the Federated Workers Trade Union (F.W.T.U.), and the Seamen and Waterfront Workers Trade Union (S.W.W.T.U.).[3]

The British authorities embarked on a concerted effort to wean these multiplying trade unions away from political activities and to cultivate industrial trade unions patterned after those existing in Great Britain. In February 1938, George Lindon, a British trade unionist was sent to Trinidad in an official capacity as Industrial Adviser. Lindon was followed by other British labor experts over the years. The presence of these metropolitan labor experts helped to increase the tolerance of employers to the new unions and actually contributed to the speedy recognition of several of these.[4] However, these labor experts failed in achieving their principal goal--the establishment of a tradition of business unionism. Political unionism thrives in Trinidad.

At a very early stage, there developed within the trade union movement the view that political power was a prerequisite for the economic emancipation of the worker. The Oilfields Workers Trade Union seemed to be the most vocal on this score. John Rojas, of the O.W.T.U., stated that "the struggle against capitalist exploitation is necessarily a political struggle. The working class cannot develop its economic organization and wage its economic battles without political rights, and without first coming into political power."[5] In 1946, the Oilfields Workers Trade Union, the Federated Workers Trade Union, and the Southern Workers Trade Union contested the national election under the banner of the Trades Union Council and Socialist Party, and won two of the nine available seats. The party had advocated the nationalization of the oil industry.[6]

In the 1956 election, several trade union leaders formed the Caribbean National Labor Party (C.N.L.P.) and contested the election. The leader of the C.N.L.P. was John Rojas, who was now the President-General of the Oilfields Workers Trade Union. Unlike the 1946 election, Rojas did not advocate the complete nationalization of oil industry, but that the government of Trinidad should buy into those foreign oil companies that wished to sell their holdings. It is interesting to note that in this election, the C.N.L.P. failed to win any seats in parliament. But more importantly, although John Rojas, was the head of the Oilfields Workers Trade Union as well as of the C.N.L.P., the party failed to win any of the seats in the oil belt. However, the view that political power was a prerequisite for the

economic advancement of the workers would persist among some unions led by the O.W.T.U.

P.N.M. Courtship of Organized Labor

As had already been pointed out in the previous chapter, the P.N.M. had been very shaken by its electoral defeat in the 1958 federal elections. Recalling that the party had been opposed by a significant segment of labor in the 1956 election and that it had failed to win any of the seats in the oil belt where the Negroes predominated, the P.N.M.'s 1961 election appeal to these potential supporters was two-pronged. The first strategy has been recounted in the previous chapter and involved an appeal to ethnicity, though this strategy was by no means confined to the P.N.M. In fact, the 1961 election has been portrayed in the literature as a racial confrontation.[7] An ethnic appeal to the Negroes was also certain to penetrate organized labor where the Negro presence was predominant. In this effort it was very successful. As one political leader explained, "Because the urban unions have tended to mobilize mostly Negro workers, the P.N.M. posing as a defender of the Blacks was able to win their support."[8] However, the P.N.M. took no chances and the second strategy was to woo the support of organized labor as a group.

In a pre-election speech, Williams stated:

> If there is any group in the community which is going to defend democracy and self-government, that group is the workers. . . if any group is the repository of patriotism, that would be the workers of the country. No government will survive without the point of view of the labor movement behind it. . . . After the elections I recognize my friends.[9]

This speech served as a boost to the activities of the labor movement. However, given the type of development strategy adopted by the P.N.M., a collision with labor groups was inevitable. But for the moment, re-election into office was the pre-eminent concern of the P.N.M.

While the P.N.M. was making overtures to the labor movement, the opposition D.L.P. seemed to be alienating organized labor by its pronouncements. In its party organ, The Statesman, the D.L.P. took note of the state of industrial unrest prevailing in the country and advocated governmental action to curb it. Capildeo, the party leader, spoke out against labor strikes, warning that they would discourage foreign investment. He accused the P.N.M. of using the trade unions to serve political ends and advocated the separation of trade unionism from party politics.[10]

The pronouncements of D.L.P. politicians on labor issues, particularly the call by the party for governmental action to curb labor unrest in the country drew condemnation from the labor movement. Carl Tull, then secretary-general of the National Trade Union Congress, the umbrella organization of Trinidadian trade unions, saw the D.L.P. position as a threat to the trade union and condemned the D.L.P. leader for his stand on labor strikes. John Rojas, president of the National Trade Union Congress, accused the D.L.P. of being a conservative party, supported by big business, despite the fact that it had a labor name. The leaders of the National Trade Union Congress pledged the support of their organization to the P.N.M. and decided to back this pledge by mass demonstrations in favor of the P.N.M. The

Indian members of the National Trade Union Council, as well as a segment of Oilfields Workers Trade Union , dissociated themselves from these activities and condemned the decision of that organization to support the P.N.M.[11]

The Trade Union Congress organized mass demonstrations in the major towns in support of the P.N.M. These were noisy and often disorderly. Both the Guardian newspaper and the D.L.P. called on the government to ban the marches. Williams' reply was that the Guardian enjoyed the freedom of the press and the workers had the right of assembly. To the supporting trade unions, Williams declared "March where the hell you like."[12]

The labor demonstrations and parades in support of the P.N.M. led to an outbreak of violence in the vicinity of Port-of-Spain. In the towns of San Juan, Barataria, and St. Augustine, the D.L.P. offices and the homes of party candidates and supporters were stoned. The P.N.M. government declared a state of emergency in these areas and later extended it to include the electoral districts of Caroni East and Chaguanas which were all heavily populated by D.L.P. supporters. House-to-house searches for arms and ammunition, conducted by the police, failed to uncover anything illegal. These actions were all condemned by the D.L.P. as an attempt to intimidate its supporters.[13]

The results of the 1961 election gave the P.N.M. a majority in the legislature. It is important to note here that the P.N.M. won the seats in the oil belt. The results of the election convinced the Indian leaders that based on the racial arithmetic, the P.N.M. would

continue to win national elections, and that in order to secure the interests of their constituents, the D.L.P. should shift its position from confrontation to cooperation with the P.N.M. Williams too must have recognized that the D.L.P. could no longer successfully challenge him at the polls. He welcomed the cooperation of the D.L.P. and would later use many opposition members to perform state functions.[14] On the other hand, Williams recognized that the threat to the successful implementation of his development plan lay in the labor movement and soon turned to face it.

The Industrialization Effort

When the P.N.M. took office in 1956, the oil and sugar industries dominated the economy. As in other developing countries, the government embarked on a program to diversify the economy by expanding the manufacturing sector. The program was called "industrialization by invitation," and a pivotal role was earmarked for foreign investment. The program was based on an economic blueprint drawn up for the West Indies by the economist, W. A. Lewis.[15] It recognized the smallness of islands such as Trinidad, their limited resource bases, their small domestic markets, and paucity of both domestic capital and technological expertise. The way to develop the manufacturing sector was to create the conditions that would attract foreign investment. Foreign enterprise would bring into the country the requisite capital, technology, organizational structure, and access to metropolitan markets. The incentives that would be provided

to these foreign investors included tax holidays, duty rebates on imports of machinery and equipment, and on raw materials, accelerated depreciation allowances and cheap access to industrial sites with adequate infrastructural preparation. In return, governments could expect that local raw materials would be used, local employment and income would be generated, and foreign exchange would be earned. Further, the goal of diversification of the economy would be achieved and the traditional dependence on a single product reduced.

The program of "industrialization by invitation" had been set in motion prior to the accession of the P.N.M. government. In 1950, the Aid to Pioneer Industries Ordinance was passed, in which an incentive structure was provided to new investors. A pioneer industry was defined to be any manufacturing industry which was not being conducted in Trinidad at all or not on a commercial scale. Four principal types of concessions were embodied in the Ordinance.

(i) Imports of buildings materials, tools, plant machinery, and other appliances and materials necessary to ensure the final availability of the pioneer product were exempted from duty.

(ii) The pioneer manufacture would enjoy a tax holiday of five years, with the possibility of an extension for a further period of up to five years.

(iii) The industry would be granted allowances for accelerated depreciation on plant and equipment, and also for scientific research. These allowances were to take effect after the tax holiday ended.

(iv) The manufacturer was assured that losses incurred during a tax holiday could be offset against income arising in the period immediately following the tax holiday period.[16]

In addition, arrangements were made for the avoidance and relief of double taxation with the United States, the United Kingdom, Canada, New Zealand, and most of the British Commonwealth countries. Further, income tax relief was provided to certain industries that could not qualify for pioneer status. The privileges of accelerated depreciation were extended to selected industries which included the sugar and oil industries.[17] The P.N.M government accepted the logic of the Lewis formula and proceeded to implement it.

However, what was lacking in the implementation was the acquiescence of labor. The program relied on cheap and docile labor. The government advertised the cheapness of labor to foreign enterprise. The general level of wages in Trinidad, it pointed out, was one-third that prevailing in the United States and one-half that in the United Kingdom.[18] However, the government in these early years, outlined no program to keep wage levels low. And given the great emphasis it placed on foreign investment, a confrontation with organized labor seemed inevitable.

The Labor Situation in the Early 1960's

Well before the 1961 election campaign got underway, it was clear that labor strikes were on the increase. As Table V-1 shows, there was a disproportionate increase in the number of strikes in 1959 compared to previous years. And while the number of strikes fell in

TABLE V-1

INDUSTRIAL DISPUTES INVOLVING STOPPAGES OF WORK (1950-1964)

YEAR	NUMBER OF WORK STOPPAGES	NUMBER OF MAN-DAYS LOST
1950	16	——
1951	13	——
1952	5	——
1953	7	49,157
1954	5	N.A.
1955	3	20,660
1956	7	213,930
1957	6	3,112
1958	7	13,968
1959	69	23,383
1960	31	275,223
1961	35	145,105
1962	75	164,659
1963	48	204,971
1964	44	95,906

SOURCE: The Central Statistical Office, Annual Statistical Abstract (1959 and 1966).

1960 and 1961, in terms of number of man days lost, these strikes were longer and costlier. Williams' open sponsorship of trade union activities during his election campaign gave impetus to increased labor agitation. As Table V-1 shows, the number of strikes in 1962 more than doubled that of the previous two years. In 1963 and 1964, the frequency of strikes remained fairly high. The principal reasons for the strikes were wages and conditions of work, union recognition, and disputes arising from dismissals and suspensions. The question of union recognition involved a great amount of poaching by some unions. It was becoming easy, in the absence of any legally restraining machinery, for a strong union in one industry to gobble up a weaker

union in another industry if it could set up a foothold there. Intra-union conflicts were also frequent and intense, and employers attempted to influence the outcomes of these struggles. Strike action was one way a faction could establish its strength and justify its claim to leadership of the union.[19]

The high level of industrial unrest posed a serious threat to the government's industrialization plan, a plan that depended on foreign investment. So far, the government had played the role as a bystander while the various industrial disputes raged. It was determined to change its position and the oil union provided a very useful opening.

The oil union was one of the unions with a serious internal struggle for leadership. Since the late 1950's a rebel group within the union had been challenging the leadership of John Rojas. In the 1961 election, John Rojas campaigned actively in the oil belt for the P.N.M. After the election, the P.N.M. rewarded Rojas by nominating him to be a senator. However, on March 27, 1962, the General Council of the O.W.T.U. approved a motion of no confidence passed at the Palo Seco branch against the president of the union, John Rojas, and the general secretary, Joseph Houlder. In early April, Rojas resigned from the leadership of the O.W.T.U. which he had held for nineteen years. In his place, George Weekes, leader of the rebel group, became the President General of the Union.[20]

Within a few months after his departure from the oil union, Rojas made some declarations that would put the entire trade union movement, and particularly the O.W.T.U., on the defensive. In a Senate speech in August, 1962, Rojas alleged Marxist infiltration of the trade union

movement. Rojas went on to say that some of the most powerful unions were headed by Marxists. He claimed that these men were collaborating with others outside of the trade union movement to bring about a revolution in Trinidad.[21] The P.N.M. reacted to this speech by instituting a commission of inquiry to investigate subversive activities in Trinidad.

Although the inquiry was aimed at the trade union movement and although the nature of the inquiry could affect the reputation of the movement, the National Trade Union Council did not react in any united way. The N.T.U.C. did not issue any official objection to the inquiry, though individual unions questioned the need for such an inquiry and the areas of investigation. From the report of the Commission of Inquiry, it is clear that the focus of the investigation was the Oilfields Workers Trade Union, its connection with other unions such as the Civil Service Association and the National Union of Government Employees, and with what the Commission regarded as the only communist organization in the island, the West Indian Independence Party.

The West Indian Independence Party (W.I.I.P) was formed in 1952 under chairmanship of Lennox Pierre. The party contested the 1956 election without gaining any seats or demonstrating any significant following. It was regarded as a communist party. It was in the leadership of the party that the Commission of Inquiry took particular interest. Among the party's first executive officers were John Rojas, President-General of the O.W.T.U., and Quintin O'Connor, President of the Federated Workers Trade Union. Under pressure from their respective unions, both of these men withdrew from the W.I.I.P. and

formed the Caribbean National Labor Party (C.N.L.P.). After the 1956 election, the party membership dwindled, but a few hard-core members remained. Among them were Lennox Pierre and George Weekes, who later replaced Rojas as head of the O.W.T.U. It was said that the W.I.I.P. was the political arm of the O.T.W.U. It has been a part of the conventional wisdom in Trinidad, that whoever controls the O.W.T.U. controls the economy of the country. This placed George Weekes, as head of the O.W.T.U. in a preeminent position in the trade union movement and the Commission of Inquiry examined the attempts of Weekes to increase his influence within the labor movement by promising strike action in the oil industry in support of the strikes of other unions such as the Civil Service Association and the National Union Government of Employees. The report of the Commission was submitted to the Governor-General of Trinidad in January, 1964, but its presentation in parliament was held up until 1965 by court actions.[22]

The Commission of Inquiry regarded the West Indian Independence Party as a communist organization with strong influence in the trade union movement. The Commission described George Weekes, President of the National Trade Union Congress and President of the Oilfield Workers Trade Union as a communist. While the Commission found no evidence of any attempt to overthrow the government by violent means, it recommended increased vigilance on the part of the government. It also recommended that the government should observe closely the increased rate of strike action by unions with a view to setting up the type of machinery for its arrest.[23]

The Industrial Stabilization Act

In 1965, a situation developed in the sugar industry that threatened the conservative leadership of the sugar union as well as the P.N.M. government. The right of Bhadase Sagan Maraj to occupy the presidency of the union was in question. He had never been elected to that position. Krishna Gowandan, a young Indian Marxist who had developed a following within the union, was challenging Maraj to face an election for the union's highest position. Gowandan's leadership bid had the support of some of the country's prominent Marxists including George Weekes, president of the oil union and of the National Trade Union Congress, C.L.R. James, who had resigned from the P.N.M., Stephen Maharaj, the acting leadership of the D.L.P., and Adrian Cola Rienzi, who was the only person to have occupied the presidency of the oil and sugar unions simultaneously. These men saw an opportunity to integrate the new leaders of the sugar union into the leadership structure of the oil union.[24] If the oil union could exercise a controlling influence over the sugar union, its stranglehold over the economy would be complete. Also, a coalition between the Negro oil workers and the Indian sugar workers would have enormous political importance. Such an ethnic alliance could alter the basis of future electoral victories.

In March 1965, a strike by thousands of sugar workers virtually closed down the sugar industry. Maraj tried in vain to break the strike by using substitute workers. The striking sugar workers invited George Weekes to speak to them. Weekes, who was also the President of the National Trade Union Congress (N.T.U.C.), called an

emergency meeting of the N.T.U.C. and succeeded in passing a resolution supporting the striking sugar workers. The N.T.U.C. also wrote to the Government and the sugar company, Caroni Ltd., requesting a meeting to discuss the sugar strike with a view to finding some solution. The actions taken by the executive of the N.T.U.C. were opposed by other member unions. The Seamen and Waterfront Workers Trade Union, of which Williams was the adviser, withdrew from the N.T.U.C. in protest.[25]

Neither the sugar company nor the government responded to the N.T.U.C. request. Instead, the government, alarmed by the prospect of a link-up between the sugar and oil workers hinted about a communist-inspired plot to create chaos in the country and declared a state of emergency in the sugar belt. Meetings and demonstrations were banned, movement of citizens within the area was restricted, and the police were authorized to conduct searches without warrants for explosives and subversive literature.[26]

A state of emergency was declared on March 18, 1965. Immediately afterwards, the Williams' government laid before parliament the Report of the Commission of Inquiry into Subversive Activities in Trinidad. This was the first time that the contents of the report had been made public. It seems as if the timing of the presentation of this report was designed to create mass consternation and to justify the new restrictions that the government was about to impose on labor. On the same day, the Williams' government introduced and pushed through the legislature a bill designed to restrict the freedom of trade unions to strike. It seemed as though the Industrial Stabilization Act (I.S.A.)

had been in preparation for some time. Organizations like the N.T.U.C. that had a clear interest in the bill were not given any time to study it, though trade unionists connected with the P.N.M. may have been consulted. In fact, in what has been described as an "amazing display of preverted class consciousness," several pro-government unions held demonstrations outside of parliament in support of the bill while it was being presented.[27]

In essence, the I.S.A. proscribed the right to strike and introduced a system of compulsory arbitration in which the government would play a key role. The principal features of the I.S.A. are outlined as follows:

(i) The I.S.A. provided for the compulsory recognition of a union which enjoyed the support of more than fifty percent of the employees in the particular enterprise.

(ii) It provided for the establishment of an industrial court with wide powers to settle industrial disputes, to register industrial agreements and to settle disputes arising from these.

(iii) The Act required that labor disputes be reported to the Minister of Labor who may conciliate the dispute or take other steps to resolve it including referring it to the Industrial Court.

(iv) The Act stipulated a number of procedures that had to be followed before strike or lockout action could be taken. First, the dispute had to be reported to the Minister of Labor. If, however, the Minister refers the dispute to the Industrial

> Court within 28 days, strike or lockout action cannot be taken. If on the other hand, 28 days elapsed and the matter had not been referred to the Industrial Court, the party contemplating strike or lockout action had to give fourteen days notice of the intended action.[28]

In effect, the I.S.A. made the right to strike useless. It was clearly pro-business. Yet the government was able to marshall the support of several unions for this piece of legislation. It was steam rollered through the legislature while a state of emergency existed in certain parts of the country and while the rest of the public was sifting through the Report on Subversive activities in the country. George Weekes, who had opposed the bill, resigned from his position as president of the National Trade Union Congress and took the oil union out of the N.T.U.C., where it has since remained.

Williams considered the I.S.A. his outstanding achievement during his second term of office. He acknowledged that the Act was aimed at preventing a link-up of the oil and sugar workers.[29] An alliance of the oil and sugar workers would symbolize a breakdown of ethnic barriers. This naturally concerned Williams since ethnic polarization had worked to the advantage of the P.N.M. in the previous elections. However, even if this alliance did not translate into votes against the P.N.M., control over the oil and sugar unions would give the socialists de facto control over the country. Already by virtue of his control over the oil union, George Weekes had control over the economy. If he could also exercise control over the second most powerful union and the second major industry in the country, he

and the other socialists would be in a strategic position from which they could dictate terms to any government. Since these leaders favored a socialization of the economy, they could prod the government to nationalize the foreign companies in the oil and sugar industries. The ruling party was therefore determined to keep these two unions apart and the instruments chosen for this purpose were a declaration of a state of emergency and the enactment of the I.S.A.

The socialists, on the other hand, never relinquished the goal of forging an alliance between the oil and sugar workers on the basis of common class interest. In fact, in 1966, George Weekes along with Lennox Pierre, C.L.R. James, and some Indian Marxists--A.C. Rienzi, Stephen Maharaj and a newcomer, Basdeo Panday--established the Workers and Farmers Party (W.F.P).[30] The party contested the 1966 election with a multi-racial slate of candidates. Yet, inspite of the fact that the party had the confidence of the leadership of the oil union, the W.F.P. failed to win even the seats in the oil belt. The P.N.M. won 24 seats in the predominantly Negro areas, and the D.L.P. won the remaining 12 in the predominantly Indian constituencies, an indication of strong ethnic voting and a reluctance on the part of the major ethnic groups to accommodate any party that could potentially split the vote that a ethnic majority could deliver in any constituency. However, the W.F.P. leaders were not daunted by this experience.

The Black Power Revolution

The first major challenge to the Industrial Stabilization Act came in May 1969 when the Transport and Industrial Workers' Union (T.I.W.U.) called a strike which brought the public transport system in Port-of-Spain to a halt. The strike received the active support of an impressive list of political and labor personalities. Seventeen people were arrested and charged with obstructing the free passage of buses out of the Port-of-Spain bus terminal. Among those arrested were Joseph Young, President of the transport union; George Weekes, President of the oil union and a member of the W.F.P.; Stephen Maharaj, leader of the W.F.P.; Lennox Pierre, legal adviser of the transport union and a member of the W.F.P.; Peter Farquhar, leader of the Liberal Party; Basdeo Panday, editor of the O.W.T.U.'s Vanguard and a member of the W.F.P.; and Geddes Granger, a university student and chairman of the National Joint Action Council (N.J.A.C.)[31] The O.W.T.U. leadership promised to call out the oil workers for a two-hour solidarity strike.[32]

The T.I.W.U. strike marked the beginning of the breakdown of the I.S.A. According to a former minister of government, between 1969 and 1972, strikes and other infringements of the law made the I.S.A. unenforceable. The government attempted some prosecutions but these proved to be ineffective in stopping the labor unrest.[33] Many of the strikes occurred in support of the Black Power Revolution.

In February and March of 1970, Trinidad was rocked by Black Power demonstrations in its major towns. The marches stressed themes of Black dignity and called for the transfer of power into the hands of

Blacks. On the surface, these demands seemed ludicrous since the Blacks were the majority in Trinidad and a Black government was in power. However, the underlying causes of the demonstrations in Trinidad were economic.

The protests began in Trinidad in support of some West Indian students who had alleged that they had been discriminated against on the basis of race by the authorities at the Sir George Williams University in Canada. Support for the students in Canada initially came from the National Joint Action Council (N.J.A.C.) headed by Geddes Granger (now Makandal Daaga), the Student Guild of the St. Augustine campus of the University of the West Indies, of which Granger was the former President, and the National Freedom Movement. The protesters first marched to the Canadian High Commission, then to the Royal Bank of Canada, which some tried to enter. The protesters then temporarily occupied the Roman Catholic Cathedral of the Immaculate Conception on Independence Square. With these demonstrations, the issue of the students in Canada receded into the background. As Geddes Granger yelled to his followers: "Today we come here not so much to protest oppression against black people all over the world, but to protest the brutality against black people in Trinidad and Tobago."[34]

As a result of the demonstrations, several of the leaders, including Geddes Granger, were arrested and charged with unlawful assembly. The Oilfields Workers Trade Union in an emergency meeting on February 28 decided to give moral and financial support to the arrested men. This was the beginning of the O.W.T.U.'s public

involvement with the so-called Black Power Revolution. After a few days, the union threatened to call a general strike.[35]

On March 11, George Weekes called on the government to take over the sugar industry and run it in the national interest.[36] On March 23, in an address to Catholic teachers, Weekes called for the national ownership of the oil and sugar industries.[37] This call was repeated again in early April when Weekes told members of his union at Pointe-a-Pierre that the O.W.T.U. found itself in the ranks of the revolution. He said that the oil industry was a strong base of racialism against nationals, implying that oil workers were badly treated by White foreign managers. He insisted that something had to be done about this.[38]

On April 21, the government declared a state of emergency in the country. Shortly afterwards, the police arrested George Weekes, President-General of the O.W.T.U., Winston Leonard, Education officer of the O.W.T.U., and several of the leaders of the various marches.[39] A few days later Geddes Granger, who was being sought by the police, was arrested in San Fernando. On April 23, news began to break of a mutiny within the army. After several days of negotiations with a team selected by the government, the leaders of the revolt surrendered. Three officers--Lt. Rex Lasalle, Lt. Rafique Shah and Lt. Michael Barzey--were accused and made to stand trail for treason. The trials of those arrested continued for several months.[40]

The "Black Power Revolution" is a very important landmark in Trinidad's history. It was the only time that the government was on the brink of violent overthrow. Though the dissident elements took on

the Black Power label largely because of the manner in which the demonstrations began, the thrust of the protests was for economic improvement for urban Blacks and for greater local control of the economy through local ownership of the oil and sugar industries. The oil union leadership was particularly vocal during this crisis in demanding the nationalization not only of the oil industry but also of the sugar industry. The demand for the nationalization of the sugar industry was being used to mobilize the support and the active participation of the Indian population, and especially of the sugar workers. The attempt failed because Indian leaders interpreted the movement as anti-Indian, and the burning of Indian businesses served to confirm this.[41] The demonstrators were disaffected elements from the ranks of P.N.M. supporters. This type of protest would raise the greatest fears within the P.N.M. in the future.

By about the end of April, 1970, the sting had been taken out of the Black Power movement. The government was in control again. However, it initiated some moves that were responsive to the demands of the Black Power militants. During the demonstrations, Williams had declared his sympathy for the demand that Blacks exercise greater control over the economy. He announced that the government would nationalize the Bank of London and Montreal and establish it as a National Bank. He also stated that government would buy 51 percent of the ordinary stock of the country's largest sugar producer, Caroni Ltd., the Trinidadian subsidiary of the British firm, Tate and Lyle Ltd. Tate and Lyle would continue to run the company under a management contract. Williams emphasized that the purchase was aimed

at achieving public participation, but not state ownership. No similar plans were announced for existing oil companies.[42]

The decision by the Williams' government to acquire equity ownership in the sugar industry is examined in greater detail in the following chapter. However, it should be noted here that the decision was part of the response to a domestic crisis in which the principal demand was for greater national control over the economy.

The Industrial Relations Act

It was clear after the Black Power demonstrations and the accompanying strikes that the I.S.A. had not taken the teeth out of labor. In fact, the radical unions seemed to be gaining the upper hand. The O.W.T.U., in 1969, had displaced an established union to become the bargaining representative of the workers in the Trinidad and Tobago Electricity Corporation (T.T.E.C.), a very strategic state corporation because of its sole handling of electricity generation, transmission, and distribution in the entire country.[43] Further, by mid-1972, it seemed as though the O.W.T.U. was making inroads insofar as representation of the following categories of workers were concerned: water and sewage, workers of the Telephone Company, and the dock workers. Each of these categories of workers already had a recognized union. However, the workers probably felt that they would be much better off economically if they were represented by the O.W.T.U. which had the reputation as the most powerful union in the country. The O.W.T.U. no doubt made use of this reputation to further increase its strength.

The Trade Union Congress responded to these developments by issuing a statement accusing the O.W.T.U. of poaching in the jurisdictional areas of some of its affiliates. And the leadership of the Seamen and Waterfront Workers Trade Union (S.W.W.T.U.) issued an ultimatum--unless the O.W.T.U. stopped recruiting dock-workers, the S.W.W.T.U. would call out all of its workers on strike.[44] Since Trinidad has always been highly dependent on food imports, the S.W.W.T.U., by its control over the workers involved in port operations, has occupied a strategic bargaining position. The threat of a strike by this union brought forth swift action by the government.

The government, pleading that a crisis in industrial relations existed, declared a state of emergency. It imprisoned several top-ranking officials of the O.W.T.U., including the President-General, George Weekes. With the state of emergency in force, the government enacted the Industrial Relations Act (I.R.A.), which updated and strengthened the I.S.A.[45] The Industrial Court was retained as the center piece of the industrial relations system. While strikes and lockouts are still possible, they can only occur if the Minister of Labor permits them, since referral of a dispute by him to the Industrial Court automatically prevents a strike of lockout.[46] Further, the I.S.A. had listed certain "essential services" such as the security forces, health services, fire services, in which strike action was forbidden. The I.R.A. now created a list of "essential industries." These were: (i) the electricity service, (ii) the water and sewage services, (iii) the fire services, (iv) the health

services, (v) hospital services, (vi) the sanitation services, (vii) the oil, gas, and petrochemical industries, (viii) the port operations, (ix) the sugar industry, (x) the communications service, and (xi) the public bus transport service. A union representing workers in any one of these "essential industries" was restrained from also representing workers in any other essential industry, unless such was the case before the Act was promulgated.[47] This provision was aimed at checking the expansion of the O.W.T.U.

The I.R.A. strengthened the legal machinery initially set up by the I.S.A. to handle labor issues. Trade union activities are restricted to purely industrial matters. The right to strike has been severely curtailed. The law also addresses the issue of trade union expansion. The restrictions governing union expansion into "essential industries" were motivated by a desire on the part of the P.N.M. government to curb the ability of the O.W.T.U. to increase its strength by displacing weaker unions in the non-petroleum sectors. However, is was not long before the government was on the defensive again.

The United Front Against the Multinationals

The 1970 Black Power demonstrations had proven that economic nationalism had seeped into the broader society. It had even penetrated the ranks of the P.N.M. It showed that the strategy of utilizing the foreign companies as an issue for domestic political mobilization, held tremendous promise. The O.P.E.C. price increases in 1973 gave the foreign oil companies in Trinidad increased visibility

and made them an even more lucrative political target. By this time also, the sugar union leadership had come out in favor of the nationalization of the sugar industry. The stage was now set for an alliance between the oil workers union and the sugar workers union. The basis of this alliance would be the common call for the nationalization of foreign enterprise.

On November 4, 1974, the O.W.T.U. began negotiations with Texaco for a new collective agreement. The O.W.T.U. initially demanded a wage increase of 80 percent but later increased this to 147 percent. The bargaining strategy of the O.W.T.U. was based on the assumption that the profits of the oil companies had escalated with the energy crisis. Texaco made a counter-offer of 30 percent, which the union refused. The matter was then taken to the Industrial Court for a decision.[48]

At about this time also, the All Trinidad Sugar Estates and Factory Workers Trade Union was seeking a 100 percent increase in wages for its members. The sugar union was now headed by Basdeo Panday, who had contested the 1966 election with the Workers and Farmers Party and who was a former legal counsel to the O.W.T.U. Apart from this wage dispute in the sugar industry, a union recognition issue also arose. Until now, sugarcane farmers were represented by the Trinidad Island-Wide Cane Farmers Association (T.I.C.F.A.). However, the leadership of T.I.C.F.A. became increasingly identified with the P.N.M. and the sugar company. A new union--the Island-Wide Cane Farmers Trade Union (I.C.F.T.U.)--emerged to challenge the T.I.C.F.A. for the representation of the

sugarcane farmers. The new union was headed by Raffique Shah, an ex-army lieutenant who was one of the leaders of the army mutiny of 1970.[49] Shah and Weekes had become acquainted during their imprisonment in 1970. Weekes and Panday had been members of the Workers and Farmers Party. These three union leaders decided to get together in order to more forcefully press their respective demands.[50]

On February 18, 1975, the sugar and oil unions organized a mass rally at Skinner Park in San Fernando. The rally was attended by over 20,000 workers from the oil and sugar industries. This meeting of predominantly Indian and Negro workers had great political significance since it portended a merger of the major ethnic groups with class becoming the major political variable.

At this rally, the O.W.T.U., both sugar unions, and the Transport and Industrial Workers Union (T.I.W.U.) decided to form an alliance to provide "a United Front to the multinationals."[51] The alliance was called the United Labor Front (U.L.F.). The unions passed resolutions calling for the nationalization of the oil and sugar multinationals. The motto adopted was "Tate and Lyle (the sugar company) and Texaco must go."[52]

By March 11, 1975, the sugar industry was at a standstill as the sugar union called out its workers on strike. On March 12, the O.W.T.U. called a strike on Texaco. In an effort to bring their demands to national attention and to pressure the oil and sugar companies, the U.L.F. organized a march for "Peace, Bread and Justice," from the O.W.T.U. headquarters in San Fernando to Port-of-Spain. The march took place on March 18th, but soon after it had

begun, it was broken up by the police, and the leaders were arrested.[53]

It was evident that the government was deeply troubled by the industrial unrest, but particularly by the alliance between the two major unions. The marchers had been brutally dispersed by the police. This brought forth strong condemnation from the Trinidadian press but momentarily assured the government that demonstrations of the intensity of those in 1970 would not reoccur. However, the government had to respond to the call for the nationalization of the sugar and the oil industries.

It is true that the unions were using the nationalization issue to draw adverse publicity to the companies and to pressure them to become more receptive to the union demands. This tactic had been used in the past. In this case, however, the government had reason for concern. The alliance between Black oil workers and Indian sugar workers has always had political significance. Bridging the racial gap between these two groups had been the aspiration of every challenger to Williams and the P.N.M. What made the U.L.F. particularly threatening was the fact that a political vacuum existed due to the fragmentation of the D.L.P. There was no opposition in parliament; elections were due in 1976; and the U.L.F., though still an alliance of trade unions, was drawing impressive crowds to its meetings. Eventually, the government decided to tackle the sugar industry.

By March 31, 1975, the government had increased its ownership of the sugar company, Caroni Ltd. from 51 percent to 55 percent.[54]

However, the union leadership saw little utility in this marginal increase and was adamant about complete national ownership. The sugar industry was then, and continues to be the second largest employer of labor in the country. It was the life-line of the people of central Trinidad, as well as the near south. The industry was not performing well. In fact, the business editor of the Trinidad Guardian had described the sugar company as a "sickly company."[55] A senior official in the sugar union explained to me that the union leadership saw that the country was becoming wealthy as a result of rising oil prices, and felt that the national wealth should be shared. They recognized that the industry would have to be subsidized and felt that the government now had the wealth to do so, particularly because sugar has always been a very political commodity.[56]

For its part, the government has always been sensitive to the political nature of sugar production in Trinidad. It was aware that the sugar industry was failing and that Tate and Lyle, the minority share-holders of Caroni Ltd., would not be unwilling to sell out. Complete acquisition of the sugar industry would not, therefore, adversely affect the government's relationship with other foreign enterprises and would not endanger the image of the country as a host for foreign investment. The domestic political payoffs would be enormous. Ownership of the sugar industry would allow the government to boast further advance in its plan to control the commanding heights of the economy. The government would be credited with removing the last conspicuous vestige of British colonial rule and setting the stage for the dismantling of the plantation system. By acquiring

ownership of the sugar industry, the government would also have driven a wedge between the leadership of the sugar union and that of the oil union. The government, by subsidizing the sugar industry, would appear as the benefactor of the sugar workers and would set the stage for a more collaborative relationship between the government and the union. But subsidization of sugar would depend on continued revenues from oil. Put another way, given the poor performance of the sugar industry, its nationalization would accentuate the country's dependence of oil. It could therefore be expected that the sugar union would soften its support for the nationalization of the oil industry if this carried some risk of disrupting the windfall from oil that had been set in motion by the O.P.E.C. countries. Presumably, with this consideration in mind, the government bought the remaining shares of Caroni Ltd. that were held by Tate and Lyle.

The U.L.F. in Parliament

In January, 1976, the leaders of the United Labor Front decided to transform the labor alliance into a political party. The principal reason given for this move was that it was necessary to hold political power before the workers could have true economic emancipation. It was the argument that had been advanced in the past to justify the O.W.T.U.'s involvement in politics. However, as one U.L.F. leader explained, this time the brutality with which the U.L.F. marchers were dispersed on "Bloody Tuesday" (March 18, 1975) helped the leadership in their attempt to persuade the workers that regardless of how strong they were in terms of numbers, they could very easily be crushed if

they did not have political power.[57] The U.L.F. contested the national election in September 1976 and won 10 of the thirty-six seats, with twenty-four of these going to the P.N.M under Williams.

The Marxist orientation of the U.L.F. presaged an ideological battle in parliament. Until 1971, the parliamentary opposition that the P.N.M. faced had been conservative and generally supportive of the P.N.M.'s policies especially with regards to foreign investment in the country. Between 1971 and 1976, the P.N.M. was unopposed in parliament. Now, for the first time, the P.N.M. confronted a party that claimed to be organized on a class basis. Marxists who had been challenging Williams for about two decades were finally in parliament. George Weekes of the O.W.T.U. and Lennox Pierre of the W.I.I.P. were senators, and Raffique Shah, the ex-lieutenant and co-leader of the 1970 army mutiny, was a member of the House of Representatives. There is no doubt that the party posed the most serious challenge that the P.N.M. had ever faced.

However, less than a year after the election, the removal of Basdeo Panday as leader of the U.L.F. by the party's central executive was public confirmation that the party was undergoing serious factional squabbling. Before the end of 1977, Panday had been reinstated, but a split in the party rendered it ineffectual for the duration of this parliamentary term.

While the U.L.F. had been carrying on its industrial fight for improved wages and working conditions in 1975, it had attracted many leftist extremists. When the decision was taken to make the U.L.F. a political party, there was a strong feeling among the leadership that

the party needed an ideology. The ideological issue was never settled. Some felt that the parliamentary route was bourgeois and that the real way to acquire power was through the use of violence. A pro-Maoist and a pro-Moscow faction developed.[58] Panday, who had not yet been involved in the initial phase, became the focus of party criticism when he declared that the foreign capitalists should be seen as the principal enemy, but that the workers should form an alliance with local capitalists. He also saw parliament as the arena in which the political struggle should be carried out.[59] He was accused of being a reactionary, and the Central Committee of the party which was dominated by ultra-leftist elements voted to remove him from the leadership of the party. It is clear, in hindsight, that the Central Committee had miscalculated the strength of Panday's support. The ten seats, which the U.L.F. had won, were located in the sugar belt, and as head of the sugar union, Panday was responsible for the party's success at the polls. In fact, Weekes and the leaders of the oil union had failed to win the seats in the oil belt. In the end, Panday and the moderates triumphed, but the party was badly divided.

By the end of 1977, the P.N.M. was certain the threat, that the U.L.F. initially posed, had been removed. As one P.N.M. official pointed out, despite the U.L.F.'s emphasis on class, the party had only succeeded in winning the seats in the traditional D.L.P. strongholds.[60] The implication here is that ethnicity and not class determined the results of the 1976 elections and that the U.L.F. is simply the D.L.P. under a new name. Or, as one leader of the Trinidad

and Tobago National Alliance put it, Basdeo Panday had become the new leader of the "tribe" (the Indians).[61]

In 1981, the U.L.F. contested the national elections as part of a coalition of parties called the Trinidad and Tobago National Alliance (T.T.N.A.). The other alliance partners are the Tapia party, headed by Lloyd Best, and the Democratic Action Congress, headed by A.N.R. Robinson. Both Best and Robinson are Black. One T.T.N.A. leader explained to me that the T.T.N.A. is an ethnic alliance. He said that the U.L.F. (1975-1977) "pretended that it was a class alliance," while in reality it was an alliance between one faction which had a large ethnic following (the Indians) and one which did not. He continued that in establishing the T.T.N.A., the leaders of the individual parties made an honest admission that ethnicity is the dominant political variable and that the T.T.N.A. is an ethnic alliance. The hope is that the leaders will develop credibility with their respective ethnic groups and will demonstrate that the major ethnic groups can work together.[62] With this admission, it appears as though party organization in Trinidad has turned full circle.

Conclusion

The strong ethnic voting pattern that was emerging in the 1960s dictated that any serious challenger to the P.N.M. had to be able to bridge the ethnic gap between the Indians and the Negroes. This task was taken up by the radical unions led by the oil union. Trade unions in Trinidad, and especially the oil union, had a prior history of active involvement in politics, and when the fragmentation of the

D.L.P. created a political vacuum, the oil union and its socialist allies moved to fill it. Their first strategy was to replace the conservative leadership of the sugar union with a socialist group and then to try to forge an alliance between the sugar workers and the oil workers by appealing to their common class interests. This strategy was foiled by the government.

It was, however, the Black Power revolution that suggested the efficacy of using the demand for the nationalization of the foreign companies in the oil and sugar industries as a strategy of counter-mobilization. Until this time, the O.W.T.U. had been the only organization that had consistently advocated the nationalization of the oil industry. The demand by the Black Power demonstrators for the nationalization of the oil and sugar industries showed that economic nationalism had seeped into the wider society. The role of the foreign companies in the national economy had become an issue of domestic politics. The demand for nationalization of the foreign companies in the oil and sugar industries was now also being used as a strategy of counter-mobilization.

This strategy was repeated during the period 1974 to 1977, when the international climate seemed propitious for nationalization and when high oil prices had enhanced the capacity of the government to undertake such action. The socialists portrayed the foreign companies in the oil and sugar industries as the common exploiters of the Negro workers in the oil industry and the Indian workers in the sugar industry. The strategy was successful in forging an alliance between these two groups of workers. This was symbolized by the U.L.F.

However, the U.L.F. became torn by ideological differences and the intensity of the nationalization demand subsided.

However, it was not simply the ideological differences within the U.L.F. that accounted for the demise of nationalization as an issue of domestic politics. The policies pursued by the P.N.M. government toward the multinationals were also a major contributing factor. These policies are the focus of Chapter VI.

Notes

[1]The Trinidadian left consists of the radical trade unions within the Conference of Progressive Trade Unions (C.P.T.U.) and numerous micro-groups such as the United National Independence Party (U.N.I.P.), the National Movement for the True Independence of Trinidad and Tobago (N.A.M.O.T.I.), which have very little, if any, support within the population. Here we are referring to those who were closely identified with the Workers and Farmers Party in 1966.

[2]This study employs Caswell Johnson's definition of political unionism. "Political unionism . . . . is said to exist if there is any systematic commitment among trade unions to mobilize votes and/or provide financial assistance for (or against) one or more political parties in exchange for some control over economic and social policy; or, if the trade union movement's social and political aspirations compete effectively with those of any political party for political support." See Caswell L. Johnson, "Political Unionism and the Collective Objective in Economies of British Colonial Origin: The Cases of Jamaica and Trinidad," American Journal of Economics and Sociology, 34 (October 1975), pp. 365-379.

[3]W. Richard Jacobs, "Factors Affecting Trade Union Organization and Development in Trinidad and Tobago." in W. Richard Jacobs et al., Seminar On Contemporary Issues, No. 1: Labor and Industrial Relations in Trinidad and Tobago (Trinidad and Tobago: Faculty of Social Sciences, University of the West Indies, 1971), p. 17.

[4]Ibid., pp. 17-19.

[5]Ryan, Race and Nationalism, p. 61.

[6]Ibid., pp. 74-76.

[7]In addition to the works of Selwyn Ryan and Yogendra Malik referred to in Chapter IV, see also Krishna Bahadoorsingh, Trinidad Electoral Politics: The Persistence of the Race Factor (London: Institute of Race Relations, 1968).

[8]Interview, Port-of-Spain, Trinidad, March 26, 1982.

[9]Trinidad Guardian, November 28, 1961. Cited in Carl D. Parris, Capital or Labor? The Decision to Introduce the Industrial Stabilization Act in Trinidad and Tobago: Working Paper No. 2 (Jamaica: Institute of Social Economic Research, University of the West Indies, 1965), p. 14.

[10]Malik, East Indians in Trinidad, p. 113.

[11]Ibid., p. 119.

[12]Ryan, Race and Nationalism, p. 258.

[13]Malik, East Indians in Trinidad, pp. 119-120.

[14]Interview, San Fernando, Trinidad, March 23, 1982.

[15]Charles W. Blowers, The Industrial Development of Trinidad, 1952-1962, M.A. thesis, Department of Economics, University of Florida, 1964, pp. 121-123.

[16]The Industrial Development Corporation, Why Foreign Investment is Attracted to Trinidad and Tobago (Port-of-Spain, Trinidad: Yuille Printery Limited, 1962), pp. 13-16.

[17]Ibid., p. 16.

[18]Ibid., p. 9.

[19]Henry Zin, Labor Relations and Industrial Conflict in Commonwealth Caribbean Countries (Port-of-Spain, Trinidad: Columbus Publishers Ltd., 1972).

[20]O.W.T.U., Oilfields Workers Trade Union, July 1937-July 1977 (Trinidad and Tobago: Syncreators Ltd., 1977), p. 27.

[21]Report of the Commission of Enquiry Into Subversive Activities in Trinidad and Tobago (Trinidad and Tobago: The Government Printery, 1965), p. 7.

[22]Ibid., pp. 13-14.

[23]Ibid., pp. 52-53.

[24]Interview, San Fernando, Trinidad, March 23, 1982.

[25]Interview, Port-of-Spain, Trinidad, April 1, 1982. See also O.W.T.U., Oilfields Workers Trade Union, pp. 29-30.

[26]Malik, East Indians in Trinidad, pp. 149-150.

[27]Trevor Sudama, "Class, Race and the State in Trinidad and Tobago," (unpublished paper), p. 47.

[28]R.D. Thomas, "The Next Step in Industrial Relations in Trinidad and Tobago," in W. Richard Jacobs et al., Seminar on Contemporary Issues, No. 1: Labor and Industrial Relations in Trinidad and Tobago (Trinidad and Tobago: Faculty of Social Sciences, University of the West Indies, 1971), pp. 25-26.

[29]Williams, Inward Hunger, p. 311. See also Eric E. Williams, Reflections on the Industrial Stabilization Act (Trinidad and Tobago: The Nation, 1965).

[30]Interview, San Fernando, Trinidad, March 23, 1982.

[31]Trinidad Guardian, May 14, 1969, p. 1.

[32]Trinidad Guardian, May 15, 1969, p. 1.

[33]Interview, Port-of-Spain, Trinidad, March 30, 1982.

[34]Trinidad Guardian, February 26, 1970, p. 1.

[35]Trinidad Guardian, March 6, 1970, p. 15.

[36]Trinidad Guardian, March 11, 1970, p. 11.

[37]Trinidad Guardian, March 24, 1970, p. 6.

[38]Trinidad Guardian, April 15, 1970, p. 8.

[39]Trinidad Guardian, April 22, 1970, p. 1.

[40]Trinidad Guardian, May 3, 1970, p. For a chronological summary of the Black Power demonstrations, see Ivar Oxaal, Race and Revolutionary Consciousness: A Documentary Interpretation of the 1970 Black Power Revolt in Trinidad (Cambridge, Mass.: Schenkman Publishing Company, 1971).

[41]David G. Nichols, "East Indians and Black Power in Trinidad," Race 12 (April 1971), pp. 448-449.

[42]Trinidad Guardian, August 1, 1970, p. 1.

[43]Trinidad Guardian, October 17, 1969, p. 1.

[44]O.W.T.U., Oilfields Workers Trade Union, pp. 37-38.

[45]Ibid., p. 38.

[46]Trade union leaders who were interviewed were especially bitter at the curtailment of their right to strike. They argued that the relocation of the industrial dispute into the Industrial Court puts them at a disadvantage relative to the companies because the latter can afford to retain better legal services.

[47]3rd Session Third Parliament Trinidad and Tobago, 21 Elizabeth II, Act No. 23 of 1972, The Industrial Relations Act.

[48]Trinidad Guardian, April 3, 1975, p. 1. See also, O.W.T.U., Oilfields Workers Trade Union, p. 39.

[49]O.W.T.U., Oilfields Workers Trade Union, pp. 39-40.

[50]Interview, Port-of-Spain, Trinidad, February 26, 1982.

[51]O.W.T.U., Oilfields Workers Trade Union, p. 40.

[52]Ibid.

[53]Trinidad Guardian, March 11, 1975, p. 1. For a detailed account of the U.L.F. march and interviews with some of its leaders, see Owen Baptiste, ed., Crisis (Trinidad: Inprint Caribbean Ltd., 1976).

[54]Trinidad Guardian, March 31, 1975, p. 1.

[55]Trinidad Guardian, August 15, 1970, p. 17.

[56]Interview, Port-of-Spain, Trinidad, February 26, 1982.

[57]Ibid.

[58]Selwyn Ryan, "The Disunited Labour Front," (unpublished paper), 1978, p. 6.

[59]Interview, Port-of-Spain, Trinidad, February 16, 1982.

[60]Interview, Port-of-Spain, Trinidad, March 9, 1982.

[61]Interview, Port-of-Spain, Trinidad, March 26, 1982.

[62]Ibid.

CHAPTER VI

THE MULTINATIONALS, THE STATE, AND THE MANAGEMENT OF ECONOMIC NATIONALISM

Introduction

This chapter examines the relations between the P.N.M. government[1] and the foreign companies in the oil and sugar industries, and the intersection between these relations and the domestic politics of the country. We will argue that national ownership of the particular foreign company was not dictated by a comprehensive plan or ideology, but occurred in piecemeal fashion in response to particular domestic pressures, and against foreign companies that were failing in their Trinidad operations or were indifferent to remaining in the country. We will argue that in no case was the acquisition motivated by the prospect of financial gain. Rather the acquisition of foreign-owned companies by the government was intended to appease nationalists and to head off the drive for further nationalization of the more successful oil companies, Texaco and Amoco. In this latter goal, the success of the government was aided by the fact that the numerous state-run enterprises have acquired a reputation for inefficiency and have become a drain on the public treasury. Poor performance by state-acquired enterprises, particularly the sugar industry because of its size, the recency of its acquisition and the public knowledge that it is heavily subsidized, has created a popular impression that nationalization does not work.

Finally, the companies selected or put up for government purchase and the terms of settlement have meant to reassure other foreign investors already in the country that they will not be the victims of radical action, and have also meant to preserve the image of the country as friendly to foreign investment.

The Period of Innocence (1956-1967)

Prior to Trinidad's independence in 1962, the oil industry was hardly affected by indigenous views of how the industry should evolve. The most vocal indigenous group on the question of oil was the oil union, the O.W.T.U., and its demands were mainly for wages and a cessation of retrenchment of workers from the industry. Through political parties of its own creation, the union had called for the nationalization of the industry, but with little support either within or outside of the industry, this demand receded from prominence.

The period 1956-1962 was the P.N.M.'s first term in office. The P.N.M. had little experience in administration, in general, and very little expertise in the oil business. As a result, the ruling party did not institute any new policies that would affect the operations of the oil companies in Trinidad. The companies were usually incorporated overseas. Changes in ownership took place abroad and were reflected in Trinidad by changes in company names and changes in management. For example in 1956, the Trinidad Petroleum Development company was acquired by British Petroleum and became British Petroleum Trinidad Ltd. Also, the Trinidad Leaseholds Limited was bought over by Texaco in 1956 and became Texaco Trinidad Inc. The government of

Trinidad simply watched from the sidelines. It was only the oil union that called upon the government to use these opportunities to acquire greater national control over the industry.

Until 1964, the oil industry, despite its preeminent position in country's economy, was administered by a sub-division of the Ministry of Agriculture, called the Petroleum Department.[2] This typified the lack of national emphasis put on monitoring the country's key resource. This, of course, was a continuation of colonial policy, but it also reflected a lack of knowledge on the part of the new P.N.M. government about the oil industry, both domestically and internationally. The only indigenous experience with the industry resided with the oil union which advocated an approach to the industry that differed radically from the one contemplated by the government.

During the early years in power, the P.N.M. government played the role of arbiter between the oil companies and the oil union, which was resorting to strike action to get wage increases and to stop the retrenchment of workers by the companies. The union claimed that between 1959 and 1961, more than 2000 workers had been laid off their jobs. The justification which the companies, particularly British Petroleum and Shell, put forward was that land production was falling and it would not be profitable to open up new wells. Also, the companies claimed that the oil industry internationally was in recession. In early 1963, British Petroleum announced its plans to retrench about three hundred and fifty of its workers. In an attempt to stop the retrenchment the oil union under George Weekes served

strike notice to the company. On February 17, the workers at British Petroleum went on a strike that lasted fifty-seven days.[3]

The apparent state of turmoil in the oil industry forced the government to initiate a two-pronged approach into the industry. Fearful that the country's oil reserves might indeed be rapidly dwindling, and lacking any independent means of confirming this, the government announced in April 1963 that it was setting up a Commission of Inquiry to look into the oil industry. The government also announced that a Commission of Inquiry would be set up to investigate subversive activities within the trade union movement (see Chapter V). This latter inquiry seems to have grown out of the government's fear of the increasing militancy of the oil union and, from the proceedings of this inquiry, it is clear that the inquiry was being used as a means of isolating the oil union within the trade union movement and of discrediting it in the eyes of the public.

The Mustofi Commission

The Commission of Inquiry into the oil industry was headed by Baghair Mustofi, an Iranian oil expert. The Mustofi Commission, as it is commonly called, held hearings intermittently between August 6, 1963 and June 30, 1964. The report outlined what the Commission considered to be basic facts about the oil industry in Trinidad. Among these were the following:

(i) There were serious limitations on the discovery of further oil reserves on land. Offshore exploration was recommended as the way to open up new reserves.

(ii) Because of the comparatively small volume of production and reserves in Trinidad, the world would not suffer any hardship if Trinidadian production were disrupted.

(iii) The reserve-to-production ratio of about 10:1 was so precarious that a very high flow of investment was required to keep production at its current level.

(iv) Because of the small productive potentials of wells, Trinidad was a comparatively high cost producer, but the Trinidadian oil industry had remained competitive because of the low cost of its refining operation.[4]

The Commission recommended that since there seemed to be little hope of a major expansion of crude production, Trinidad should try to lead the world in efficient and low-cost refining operations. This it could do by cutting labor costs. Automation should be encouraged, and manpower levels reduced to the lowest possible levels. Moreover, the government should try to ensure a general business climate favorable to investment. The Commission also made recommendations for an overhaul of the administrative and legal framework governing the oil industry and for fiscal measures aimed at improving the country's revenue-collecting system as it affected oil.[5] These recommendations were incorporated into the Petroleum Act of 1969.

The Commission's recommendations with regards to manpower requirements and labor costs for the refining operations, if implemented, meant a clamp down on the oil union since the union was not likely to accept those conditions. Also, the government did not have the capital for the offshore exploration needed to possibly

increase its reserves. This meant that the source of capital would be foreign. To attract foreign investment, it was necessary, as the Commission again recommended, to create an attractive investment climate. This dovetailed with the government's industrialization plan; yet given the type of labor unrest that plagued the oil industry and the country in general, labor controls seemed inevitable. And the Industrial Stabilization Act of 1965 was the first move in that direction (see Chapter V).

The Mustofi Commission Report underscored the marginality of Trinidadian crude oil production. It confirmed the fears of government officials that the country's oil reserves were dwindling. It also had an adverse long-term effect on the development of local expertise to run the industry. With people being told that the future of the oil industry in Trinidad was bleak, very few were prepared to pattern their careers to fit higher technical positions within the industry. This trend was kept alive by the generally bleak picture that the local press has painted of the industry. The result is that today the industry continues to suffer from a shortage of skilled local personnel.

The Mustofi Commission Report strengthened the bargaining position of the oil companies vis-a-vis the government. Given the state of the industry, the oil companies were simply interested in maintaining their concession terms in-tact. Of course, the government was in too weak a position to make demands on the companies. However, to ensure the preservation of the status quo, the companies played on the government's insecurity. In 1965, Texaco's Chairman of the Board

on a visit to Trinidad made a speech which was carried in the local newspapers. In it, he said:

> We have carefully planned our producing capabilities and refining capacity over the world to put us in a flexible position. . . . If for example, there is reduced production, for whatever reason, in one area we can immediately offset this by increases elsewhere. . . .[6]

In addition, officials from the oil companies periodically complained of the comparatively high cost of oil production in Trinidad or expressed their frustration at not being able to find additional oil. In fact, Shell and British Petroleum ceased drilling in 1968.

The gloomy prospects for the Trinidadian oil industry increased the government's sense of urgency about the need to diversify the economy. The government called a conference of the oil and sugar companies to solicit their active collaboration for its industrialization effort. The government proposed:

(i) that the companies attempt to curtail the retrenchment of workers because it was aggravating an already serious unemployment problem;

(ii) that the companies assist in settling people on the land by making available unused land and doing some of the preparatory work such as clearing the land and building access roads;

(iii) that the companies assist in the setting up of industries that could utilize some of the by-products of the oil and sugar industries, and also in developing markets for the products.

These proposals were rebuffed by the companies. The comments of the British Petroleum delegate typified the comments made by the

delegates from Texaco, Shell and the sugar company, Caroni Ltd. He said,

> We believe that we know our business, and it is with some diffidence that we enter into a discussion other than winning, refining and marketing of oil. . . . We cannot forget our responsibilities to our shareholders not to embark upon enterprises which we are not competent to operate.[7]

Although the government was unhappy about the outcome of this conference and about the unwillingness of the companies to cooperate, it did nothing. It issued no threats. It simply accepted the results, communicating by its inaction an unwillingness to offend foreign investors. This was the bargaining reputation that the government was developing, and the foreign companies would exploit it.

Government Acquisition of British Petroleum

In January, 1967, Shell announced that about 400 of its employees would become surplus to its labor requirements and that a phased retrenchment would take place. The company justified the need for this action by citing the following circumstances:

(i) Land production was dwindling and secondary recovery methods had failed to increase land production;

(ii) There were no more suitable drilling locations on land, and that further drilling would cease;

(iii) Falling prices and marketing difficulties had eroded the company's financial position and there was a need for some cost-cutting action to shore up its position.[8]

Soon after Shell's announcement, British Petroleum called in the oil union officials to discuss its proposals for reducing its own work

force. British Petroleum planned to reduce its work force by 75 percent within a short period of time. British Petroleum put forward the same reasons as Shell except that it claimed that its situation with respect to production and drilling was worse than that of Shell. Further, British Petroleum offered its assets in Trinidad for sale.[9]

According to government officials, British Petroleum had tremendous reserves in Alaska. It had been contemplating increasing its activities there. It needed money and was cutting off less productive activities elsewhere to save costs. Its activities in Trinidad, which had a high labor content, fell into this category. The signs that British Petroleum was leaving had been evident for some time. B.P.'s exploration activities had ceased and a massive retrenchment program had been in progress.

The government attempted to get both Shell and Texaco to buy over the B.P. assets, but both turned down the offer. The oil union tried to persuade the government to set up a national oil company and purchase the assets of British Petroleum. The O.W.T.U., showing some sensitivity to the policy of the government to eschew nationalization of foreign enterprise, made a persuasive argument for government acquisition. The O.W.T.U. argued that it was not advocating nationalization in the sense of confiscation of private property. Rather, an enterprise was available for sale and there seemed to be no private buyers. The consequences of inaction would be mass retrenchment (into an economy already plagued by high unemployment rates), loss of revenue to the government and the adverse multiplier effects on the rest of the economy. Under these circumstances, the

oil union encouraged the government to pay reasonable compensation to B.P. and acquire the assets.[10]

However, the Williams government panicked. It felt that the country did not have the technical and managerial skills to run the B.P. operations nor the marketing expertise to dispose of the crude petroleum. When both Texaco and Shell declined its offer to buy over the B.P. assets, the government was in a quandary. It was aware of the political, economic and social consequences that would accompany a collapse of this segment of the oil industry. It was certain that no major company would get involved, so it began to look for a small company. Yet the prospect of inviting in a new foreign investor to completely take over the B.P. assets was troublesome. The reason for this was that since 1968, the government had been voicing disillusionment with its policy of industrialization by invitation and had been advocating a greater role for the state in the economy. The government eventually decided to acquire the B.P. assets in a joint-venture with a new foreign investor.

Two very good indications of the state of confusion that existed within the government as it confronted the problem posed by the intended withdrawal of British Petroleum were:

(i) the compensation paid to B.P. for its property, and

(ii) the choice of the joint-venture partner.

The compensation that British Petroleum demanded for its properties was excessive. The book value of B.P.'s properties was $14.3 million (U.S.), but B.P. was demanding more than double this amount.[11] In addition, it was demanding compensation for oil in the

ground in the soon-to-be-abandoned oilfields. B.P.'s bargaining position was very weak. B.P. had claimed that further operation in Trinidad would not be profitable. This claim devalued the worth of its property to any prospective buyer contemplating continuing the same business. The worth of the property was further lowered by the fact that none of the major companies operating in Trinidad wanted to buy B.P.'s property. Yet the Williams government made a very generous settlement with B.P. It agreed to pay B.P. $22 million (U.S.) in cash and oil, and within a year, B.P. was completely paid off.[12] The justification for this generous settlement was that the government did not want to be accused of 'nationalizing' foreign investors and scaring away incoming foreign capital, nor did it want any future interference with the state company from a dissatisfied B.P.[13]

The government chose as its joint-venture partner a relatively unknown oil company called Tesoro whose operations were based in Texas, U.S.A. Tesoro had been discovered by the minister in charge of the negotiations with British Petroleum on one of his trips to the United States. Tesoro's assets in 1969 amounted to $69 million (U.S.) compared to $8.6 billion (U.S.) for Texaco. Tesoro's operations produced about 3,250 barrels of oil per day and had a refinery throughput of 13,000 barrels per day. The company had no foothold outside of the United States.[14] However, within government circles, Tesoro was touted as having the necessary expertise in secondary recovery to arrest the declining yield of land fields. Tesoro's presumed ability to borrow from U.S. capital markets was also a major attraction to the Trinidadian government.[15]

The proposal was that the Trinidadian government would own 50.1 percent of the new company, while Tesoro would own the remaining 49.9 percent. However, this split in the ownership was not reflected in the respective contributions for the British Petroleum properties which were bought for $22 million (U.S.). Tesoro brought into Trinidad only $50,000 (U.S.) and with an additional $50,000 (U.S.) put up by the Trinidadian government, the Trinidad-Tesoro Oil Company was launched. Tesoro was instrumental in the new company's borrowing $25 million (U.S.) from several sources. Part of this was used to pay for the B.P. assets. Of the total sum borrowed, Tesoro acted as the guarantor for $7.5 million (U.S.) while the government guaranteed the rest. However, as Farrell points out, given the fact that Tesoro was in a partnership with the government of Trinidad, which was not in any danger of bankruptcy, Tesoro carried no risks at all.[16] Further, despite Tesoro's small contribution to the new company, it demanded, and was granted, a management contract which gave it control over the financial, technological, and marketing operations of the company. The Chairman of the company had to be approved by Tesoro and major decisions of the board of directors required a two-thirds majority of the board. By virtue of its appointment of four of the nine members of the board, Tesoro had a veto over these decisions. As Farrell puts it, "This was clearly a case of David buying Goliath."[17]

The first point that should be made about the acquisition of the B.P. assets by the Trinidadian government in the joint-venture with Tesoro is that the action was not initiated by the government in fulfillment of any policy or development plan. Rather, it was a

frantic response to a crisis situation posed by B.P.'s declaration that it wanted to pull out of Trinidad on account of the lack of profitability of its undertaking there. Even before the Mustofi Commission Report, it was known that the land reserves were dwindling. The Mustofi Report merely confirmed this. B.P.'s withdrawal decision based on the depletion of the land fields shook the confidence of the government and gave it a glimpse of what lay in store if new reserves were not found. Henceforth, the threat of withdrawal by an oil company would be a potent threat indeed. The immediate consequences of a B.P. withdrawal were retrenchment of workers into an economy already plagued by a high unemployment rate, and loss of revenue to the government. The action taken by the government was a last resort action. It was more in the nature of a rescue operation: to save jobs and to prevent the social disruption that would ensue from mass retrenchment. The final settlement with B.P. showed the government's anxiety to preserve the image of the country as an attractive environment for foreign investment, or at least one which did not pose a threat to foreign enterprise.

Senior officials at the Ministry of Energy are still embarrassed by the handling of the B.P. purchase and particularly by the Tesoro deal. The terms with which the government secured the partnership of Tesoro were evidence of the inexperience of the government in dealing with M.N.C.s, and a lack of knowledge of the oil business even after 13 years in office. The circumstances surrounding B.P.'s departure strengthened Tesoro's position. Since the government felt that the expertise to run B.P.'s operations was not available locally and since

Tesoro possessed the expertise in secondary recovery methods and promised to make the enterprise a profitable one, the government acceded to its demand for control over the financial, technological, and marketing operations of the new company.

The actual negotiations with Tesoro are shrouded in secrecy. What is widely known is that Trinidad's principal negotiator was John O'Hallaran, who was then the Minister of Petroleum Mines. On February 23, 1983, the American contractor, Sam P. Wallace, admitted in a Puerto Rico Federal Court to issuing a bribe of $1.4 million (U.S.) to a former Trinidad Minister, John O'Hallaran, to secure a $30 million (U.S.) contract to build the Caroni Racing Complex, a project since abandoned by the government of Trinidad.[18] This development lends credence to long-standing opposition charges of malfeasance on the part of public officials involved in the Tesoro deal.

The Petroleum Act of 1969

The only significant piece of oil legislation during the P.N.M.'s thirteen years in office was Act No. 46 of 1969 and the accompanying Petroleum Regulations which came out in early 1970. The Act was largely the work of Dr. Fuad Rouhani, the first O.P.E.C. secretary-general, who had been invited to Trinidad for this purpose. The Act was a codification of the recommendations of the Mustofi Report. It was an attempt to bring licensing arrangements and fiscal obligations of the oil companies operating in Trinidad more in line with the prevailing practice in the major oil producing countries. Licenses were to be granted on the basis of open competitive bidding. The

Petroleum Regulations established a stricter framework under which exploration activities would be carried out in Trinidad.

The Petroleum Act of 1969 made a few changes in the fiscal obligations imposed on prospective investors. Under the old laws, companies operating in Trinidad were required to pay:

(i) royalty charges on their crude oil production;

(ii) an oil impost to defray the administrative costs to the government of running the Ministry of Petroleum and Mines;

(iii) licensing fees for the privilege of operating in Trinidad;

(iv) corporation taxes amounting to 42 1/2 percent of taxable income.[19]

The new law added to these a surface rent associated with the area licensed to the companies. This was a very modest increase in the fiscal obligations of the companies. However, the law reduced the submarine depletion allowance from 20% to 10% of the gross value of production for companies holding submarine oil mining licenses granted prior to 1961. The Petroleum Regulations required a company to construct a refinery with a throughput capacity of fifty percent of the aggregate average daily production in cases where the aggregate average daily production exceeds 100,000 barrels per day, or if that average exceeds 50,000 barrels per day and the aggregate proven reserves are sufficient to support continuation of aggregate average daily production of 100,000 barrels per day for a future continuous period of seven and one-half years.[20]

The government's decision to lower the submarine well allowance was no doubt motivated by the expectation of increased drilling

activity in submarine areas after the well-publicized oil discovery by Amoco off the east coast of Trinidad in 1968. Nevertheless, the Petroleum Act of 1969 and the government's acquisition of the British Petroleum assets put the government in a better position to monitor developments in the oil industry at home and abroad.

The Clamor for Reduced Foreign Economic Control

By the late 1960's the government had decided that its industrialization plan was not working. The economy was still heavily dependent on oil and sugar, and the manufacturing sector was underdeveloped and confined to the production of such commodities as soap, detergents, and some assembly-type industries. In 1968, almost mid-way in its third term of office, the government published the draft of its Third Five-Year Plan which was approved the following year. The period covered by the plan was 1969 to 1973. The main tasks which the plan addressed were:

(i) the diversification of the country's structure of production;

(ii) the achievement of full employment;

(iii) the necessity to set the economy on a more self-reliant footing.[21]

The government registered its disenchantment with the contribution of foreign companies to the country's development goals and outlined a new role that the state should play in promoting its economic goals. The state was to play a greater role in controlling the "commanding heights" of the economy, which included the banks, the mass media, public utilities, manufacturing industries, sugar, oil and

petrochemicals. The plan recognized the low and stagnant level of local entrepreneurship and hoped to upgrade local management and supervisory skills by carving out a greater role for government in running the industries traditionally reserved for foreign enterprise, namely oil and sugar.[22] No time-table was spelled out for the plan.

However, pressure on the government to move ahead with these objectives came from the Black Power demonstrations of February and March of 1970 (see Chapter V). The Black Power Revolution, as it is commonly referred to in Trinidad, was a revolt of urban Blacks, primarily youths, against the P.N.M. government. The Blacks felt that the P.N.M. had failed to fulfill the promises it had made with regards to the economic uplift of Blacks in Trinidad. The Black Power militants used as evidence of the P.N.M.'s betrayal the control which foreign companies continued to exercise over the economy, as well as the predominant position of the local White population in such areas as banking and commerce. The Black Power revolution was supported by several trade unions, including the O.W.T.U., and by an army revolt which was subdued. The Black Power militants marched into the sugar belt to enlist the support of Indian sugar workers. This effort did not succeed since the Indians felt threatened by the Black Power movement.

The P.N.M. government tried to address some of the grievances of the Black Power demonstrators. The government announced that it would nationalize foreign-owned banks and insurance companies. Second, the government bought over 51 percent of the holdings in the sugar industry as a first step toward improving conditions in the industry.

Third, the P.N.M. recognized the urgency of incorporating the dissident component of its following into the economic life of the country. This it did by encouraging the development of small businesses by Blacks, and by providing employment through an increased "special works" program (see Chapter 2). The government also imposed a five percent unemployment levy on individuals and companies whose taxable income exceeded $10,000 (U.S.). The effect of this on the oil and sugar companies was an increase in the corporation tax from 42 1/2 percent to 47 1/2 percent. These companies accepted the increase in tax without protest, because the alternative was much more frightening. With a mob at its heels, the government's bargaining position vis-a-vis the foreign companies increased.

At this point, it would be very instructive to examine why the sugar industry was chosen at this juncture for equity participation by the state. Given the strong call for local control from dissident elements within the ranks of the P.N.M., and the government's public statements of sympathy, something needed to be done. The most conspicuous areas of foreign control were the oil and the sugar industries. Only the year before, the government had panicked when confronted with the possibility of having to run British Petroleum by itself. It was not now prepared to confront another oil company with its limited experience. On the other hand, it needed to placate those elements advocating economic nationalism. The sugar industry seemed the least harmful to confront, and some degree of involvement there promised enormous political pay-offs.

The sugar industry, organized on the basis of plantations, carried with it the stigma of slavery indentureship. Williams had written quite a bit on slavery and and sugar[23] and had promised before he was voted into office to expunge the sugar industry of the ill effects of the plantation system. The only way he could do this was by acquiring some degree of control. However, fourteen years had elapsed and still the government had done nothing to fundamentally change the structure and mode of operations of the sugar industry. In the meantime, radical groups opposed to the government had attempted to make common cause with the sugar workers, and since sugar workers determined the elections in twelve electoral constituencies, success by the radicals would give them a sizable foothold. Further, since the radical elements associated with the O.W.T.U. and N.J.A.C. were predominantly Black, great propaganda value would be obtained by winning the support of the Indians in the sugar belt. The claim of bridging the racial division between the Indians and the Negroes could greatly undermine the basis of electoral support for Williams and the P.N.M. Instead of race, class would become the basis of mobilizing electoral support. If the P.N.M. wanted to remain unchallenged in government, it was in its interest to keep the two races apart, or at least to ensure that Indian sugar workers would not fall under the leadership of Negro radicals. One way of doing this was to improve conditions in the sugar industry. This would remove some of the long-felt grievances from among the sugar workers and would shore up the position of the conservative sugar union.

The sugar industry seemed a safe enterprise for state involvement for another important reason. Despite the stated intention of the government to become more actively involved in the economy, private foreign investment was still welcome. The government, through the Industrial Stabilization Act, had attempted to create a more stable investment climate by setting up the framework for the speedy resolution of industrial disputes. However, there were indications that the major sugar company, Caroni Ltd., was preparing to leave Trinidad. Sugar production in Trinidad reached its peak in 1965 and thereafter began a steep decline. In 1966 and 1967, Caroni Ltd. reported a loss.[24] Further, as Britain readied to enter the European Common Market, the future of Caribbean sugar, which entered Britain on a preferential quota basis, seemed uncertain. In Trinidad, labor costs were increasing rapidly particularly with the oil industry setting a high pace in wage rates. In April 1970, the Industrial Court settled a wage dispute between the sugar union and Caroni Ltd. in favor of the union.[25] The workers were granted a generous wage increase despite Caroni's pleading its inability to pay. Caroni then offered its sugar cane lands for sale to the government. There were reports that Caroni was running down its factories. In short, the writing was on the wall that Caroni Ltd. was planning to leave Trinidad. Since the sugar industry was the largest employer of labor, outside of the government, the impact on unemployment and the resulting social disruptions were easy to imagine.

The political pay-offs for government acquisition of majority interest in Caroni were enormous. In the first place, the company

welcomed it. The cost to the government for 51 percent of the ordinary shares was $5 million (U.S.) and the company seemed satisfied with the settlement. Because of the manner in which the government had acquired these shares--a rescue operation--it would still preserve the country's image of being friendly to foreign companies. On the other hand, it would appear as the benefactor of the sugar workers by ensuring the security of their jobs and appearing to be following through on its promise to improve conditions in the sugar industry. To those who stridently advocated greater national control of the economy, the government could claim credit for acquiring majority control in the oldest multinational corporation operating in the country. It had lessened the pressure on itself to move against the much more profitable oil industry. Besides, the funds in the government's coffers were running down. In fact, by September 1973 the government was confronted with a grave financial crisis. The Treasury had just enough money for the payment of salaries to civil servants for a period of three months.[26] However, this situation changed dramatically with the O.P.E.C. oil increases.

The Nationalization of Shell

In 1974, the Trinidadian government nationalized the holdings of Shell Trinidad Ltd. The O.P.E.C. price regime was in effect and many producer countries began to exercise increasing control over their oil industries. Indeed, international market conditions for petroleum and the precedent provided by several developing countries in dealing with their oil industries created a climate that might be described as

propitious for the nationalization of such an industry. The Trinidadian government had enunciated a policy of increasing its control over oil and sugar in 1968. This commitment was reaffirmed in the midst of the Black Power demonstrations. The Trinidadian government could not ignore the opportunities now available without incurring severe political costs. This was recognized by the delegates at the 15th annual convention of the P.N.M. in December 1973. The convention recommended that the government seek a larger share in the nation's oil business. In order to prepare the ground for governmental action, the convention passed the following resolution:

> Be it resolved that this Convention recommends to Government that a special study be urgently undertaken with the purpose of ascertaining the feasibility of Government acquiring majority shareholdings in the producing fields of Shell Limited and Texaco Trinidad, Inc.[27]

The wording of the resolution gave the government a great amount of flexibility. It was clear that the party was not pressing the government to nationalize any of the companies. With this type of party mandate, the government approached Shell.

In 1974, Shell was the smallest of the four major producing companies in Trinidad--Amoco, Texaco and Trinidad Tesoro being the others (see Tables III-2 and III-3). In 1974, Shell accounted for about 13 percent of Trinidad's crude oil production. Only about one-quarter of Shell's production came from its own land fields while the rest came from Shell's participation in the Trinidad Northern Areas consortium. Since the late 1960's it seemed as though Shell had been planning to leave Trinidad. Shell had not opened a new oil field

since 1963. It had curtailed drilling activity and had begun retrenching workers. It seemed as though the company was going to tap flowing oil, without investing any additional sums, and then depart. Shell, like B.P. before it, was interested in withdrawing from its least productive areas and expanding in more lucrative areas such as the North Sea and the U.S. offshore.[28] The willingness of Shell to leave, especially in light of production trends in Trinidad, made it a safe target for nationalization and promised to yield the same political payoffs as had the government's equity participation in sugar.

There was, however, an additional dimension to the Shell problem. Shell owned and operated a refinery at Point Fortin whose rated capacity was 100,000 barrels per day. The Point Fortin refinery was old and antiquated. The refinery produced fuel oil for export to the U.S., through Shell outlets, but it also served to make feedstock for further processing at the Shell refinery in Curacao. Shell was interested in holding on to its Point Fortin refinery. There was a natural market for production of the refinery in the Caricom countries.[29] Thus, Shell's departure was in the cards, but it wanted to maintain a presence in Trinidad. Shell, therefore, made an offer to the government for the latter to buy into the company. During these negotiations, there were two sources of pressure on the government to buy over the entire company. The first came from Tesoro which urged the government to nationalize Shell and turn the company over to Trinidad-Tesoro. In return, the government's share in the merger would be increased to 60 percent of the equity. On the other

hand, there was a strong feeling within government circles that the government should own a refinery. The principal argument was that the government could use the Point Fortin refinery to establish forward linkages with the economy. By-products of the refining process could be used as feedstocks for a petrochemical industry. Because of the windfall due to the O.P.E.C. price increases, the government had the money to make the purchase alone. Also, the Ministry of Petroleum and Mines had much greater experience and confidence with the oil industry than in 1969 when it was confronted with the prospect of taking over the British Petroleum assets in Trinidad. In the end, the government declined the Tesoro offer and Shell was nationalized by the government, which operated Shell holdings including the Point Fortin refinery, through the newly-created state company, Trinidad and Tobago oil company (TRINTOC). The payment to Shell was a very generous one--$44 million (U.S.), with part payable in cash, and part in oil. Within a year, the company was completely paid off. As a senior executive of TRINTOC and a former employee of Shell put it, it was important to arrive at a settlement wherein the government would be guaranteed non-interference by Shell in the future operations of TRINTOC and would be able to maintain its reputation as friendly to foreign investment.[30]

The 1974 Petroleum Taxes Act

Trinidad is not a member of O.P.E.C. Its application for membership was turned down on the ground that it was a net importer of petroleum. Trinidad, therefore, had no influence over the petroleum

price increases induced by the O.P.E.C. countries. In fact, because Trinidad is a marginal producer of petroleum, it has never influenced the world price of this commodity. After 1973, however, the new role assumed by the major production countries and reflected in vastly improved market conditions for oil, strengthened the bargaining position of the Trinidadian government relative to the foreign oil companies operating in the country. The quadrupling of petroleum prices after 1973 provided the Trinidadian government with an opportunity to re-negotiate its position with the oil companies. It was safe to do this since it would merely be following an international precedent. It would be asking of the oil companies no more for its oil than these companies were paying elsewhere.

The readjustment in the government's bargaining position with the oil companies was reflected in the Petroleum Taxes Act passed in June 1974. The Act spelled out new procedures for the taxation of the petroleum companies. For the purpose of taxation, the Act classified all petroleum operations into three separate businesses, even though the same corporate entity may carry on more than one of these. The categories were:

(i) exploration and production operations;

(ii) refining operations;

(iii) marketing operations.

For any petroleum production business, a 47 1/2 percent tax was levied on taxable profits. This was increased to 50 percent in 1975. A 45 percent tax was levied on the marketing business. With regards to the refining operations, a throughput tax was imposed on every standard

unit of crude oil passed through the refinery, regardless of the profit position of the company engaged in the refining business.[31]

The 1974 Petroleum Taxes Act was a major revision of petroleum taxation in Trinidad. Previously the major tax levied against the operating companies was a corporation tax. The companies could, through a manipulation of transfer prices, make their overall profits from all areas of operation in Trinidad appear smaller than they really were. For example, until this time, much of the oil that Texaco refined at the Pointe-a-Pierre refinery was brought in under a processing agreement from its subsidiaries in other parts of the world. The processing fee per barrel of crude oil bore no relation to the value added by the refining process. The processing fee per barrel of crude oil was frequently just enough to cover the cost of refining it or even slightly below that cost, so that Texaco, in its refining operations, would show zero profit or a loss which could be deducted from the taxes it paid on its other operations.[32] The new law prevented the abuse of transfer prices and guaranteed the government a larger income from taxes levied against the oil companies.

An important aspect of the new law was the determination of the profits of the companies in the three separate areas of business. The key factor in this determination was the per barrel petroleum price used. The new law provided that profit calculations were to be based on tax reference prices determined by the Minister of Finance in consultation with the Minister of Petroleum and Mines. In order to arrive at these tax reference prices, a reference crude oil from

another country was first chosen based on its similarity with the Trinidadian crude oil with respect to density, sulphur content etc. Two reference crudes were chosen: The Nigerian bonny light for the higher quality crude produced from offshore wells and the Venezuelan tiajuana for the oil produced from the land wells. The O.P.E.C. prices of the two crude oils were adjusted to reflect minor differences between the Trinidadian crudes and the reference crudes. The resulting prices were used as the tax reference prices in Trinidad.[33] The method of using tax reference prices for the purpose of taxation provided Trinidad with greater control over the oil industry by virtue of its control over the increased revenues due to the price increases. In effect, the government now decided the price by which it would tax the oil companies. Of course, this new method of taxation was not new or radical. Trinidad was merely following current international practices, but within the domestic political context the propaganda value was enormous.

The Act was made retroactive to January 1st, 1974. The enormous increases in government revenues and the general prosperity of the country were all credited to the government. There was no opposition in this parliament since the government had won all seats in parliament in the 1971 election due to a boycott of the election by opposition parties. Further, the apparent ability of the government to dictate prices to the oil companies and the increased control over the industry that this conferred on the government, compounded with the state's participation with Trinidad-Tesoro and ongoing nationalization discussions with Shell, lent credence to the

government's claim that it was following through on its promise to control, inter alia, the oil industry. It also served to divert attention from the fact that the major companies Amoco and Texaco were still operating free of government control and continued to dominate the Trinidadian oil industry.

By the end of August, 1974, the government had acquired the properties of Shell. The government kept up the momentum by passing in December, 1974, the Petroleum (Amendment) Act of 1974 which amended the Petroleum Act of 1969 to allow the Minister of Petroleum and Mines to enter into production-sharing contracts with any company seeking to carry out exploration and production operations after November 1, 1974. Previously, an exploration and production license was granted to the company. Now, the government reserved the right to share in the production of petroleum after a company's exploration had determined that commercial production was possible from a new discovery. While this assertiveness was given a great deal of publicity, it should be pointed out that since the late 1960's, no major discovery has been made. The production-sharing contracts are a good insurance for the future, since they spell out, in advance, the degree of participation the government would get. However, none of the major producers of crude oil in Trinidad is operating under production-sharing contracts. And again, this price of legislation merely deflected any thrust for serious government action against Amoco and Texaco. However, unanticipated labor unrest in the oil and sugar industries put the government on the defensive again.

The Nationalization of Caroni Ltd.

The central demand of the 1975 labor demonstrations (see Chapter V) was for the nationalization of the foreign companies in the oil and the sugar industries. The nationalization demand was the basis for the formation of the United Labor Front (U.L.F.). Anxious to defuse the state of tension existing in the country, the P.N.M. government moved expeditionsly to nationalize the sugar company, Caroni Ltd. The government was the majority shareholder and it was aware that Tate and Lyle, the minority shareholder, would not be an unwilling seller. Thus the government was certain that nationalization of the sugar industry would not endanger the image of the country as a hospitable site for foreign investment.

On the other hand, nationalization of the sugar industry promised enormous political payoffs domestically. The sugar industry was not performing well and needed huge injections of capital which the government was in a position to provide largely because of the increased oil revenues. By subsidizing the sugar industry, the government would appear as the benefactor of the sugar workers and the government could expect greater cooperation from the sugar union. Also, since the continued subsidization of the sugar industry depended on the uninterrupted flow of revenues from the oil industry, it was possible for the government to wean the sugar union away from a position of rigid support for the nationalization of the oil industry. If this happened, the drive for the nationalization of the oil industry, as represented by the U.L.F., would be blunted. It would then be relatively easy for the government to isolate the oil union by

claiming that the country's new prosperity was a verification of the correctness of the government's policy towards the oil industry. A simple cataloging of the government's role in TRINTOC, in Trinidad Tesoro, and in overhauling petroleum taxation to win for the country a lion's share of the profits from its petroleum, as well as the production-sharing contracts with new investors, would buttress the government's claim. In fact, by the end of 1977, this was precisely the situation that obtained.

The Government and Texaco

At this point it would be instructive to review the relations that the government has had with the two major oil companies in Trinidad, Texaco and Amoco, both of which are fully foreign-owned.

During the period 1962-1973, the relationship between the government and Texaco was very cordial. Soon after independence, Texaco bought independence development bonds from the Trinidadian government at very low interest rates. Further, Texaco had chosen Trinidad to be the base of its refining operations. In 1963, Texaco expanded its petrochemical operations in Trinidad; it installed a lube oil plant at Pointe-a-Pierre. During the 1960's, the government's financial position fluctuated precariously. To keep itself afloat, the government frequently approached the oil companies, particularly Texaco, for advance payments of taxes. A Texaco official admitted that Texaco frequently accommodated the government in times of financial trouble by advance payment of taxes, but pointed out that

this was not an immoral transaction.[34] Nevertheless, it went far to securing friendly relations between the government and Texaco.

However, a transition began to take place in the Trinidadian oil industry toward the end of the 1960's. In 1969, the government in partnership with Tesoro bought the properties of British Petroleum. This marked the first involvement of the government in the production business. In 1974, the government acquired Shell, and six months after its acquisition the company, renamed TRINTOC, was run entirely by Trinidadian nationals. This greatly increased the confidence of the government, which began to speak of acquiring a greater share of the industry. The government seemed particularly keen on acquiring a controlling interest in the Texaco refinery at Pointe-a-Pierre. In such a position, the government hoped to widen the refinery operations to include the production of petrochemicals.[35]

Texaco sought to preempt any significant government involvement in its major operations by inviting the government into a joint-venture in petrochemicals. The proposed project involved the use of the aromatic fibers from the refinery to make detergents. However, during the 1975 labor demonstrations when the O.W.T.U. allied with the sugar union and called for the nationalization of Texaco, the company withdrew its proposals for a joint-venture by pleading "market" reasons.[36]

As has been pointed out before, the emergence of the U.L.F. and the crowds that it drew worried the government. The call for the nationalization of Texaco at a time when most oil-producing countries had intervened in their respective industries was one to which the

government had to respond, especially in view of the fact that it was going to face a national election shortly. In January 1976, the government announced a team of negotiators, headed by Bernard Primus (chairman of the Industrial Development Corporation) to negotiate the acquisition of controlling interest (51 percent) in Texaco's operations in Trinidad. The government argued that no oil producing country confined its activity in the industry to the collection of taxes and royalties, and that participation was the natural right of the country.[37] Texaco seemed prepared to discuss government participation in the production sector but was adamant in its refusal to discuss participation in the refining operations. It was the feeling of some members of the government negotiating team that Texaco kept two separate sets of books on its refining operations--one which accurately reflected its operations, and one which it presented to the government for the purposes of taxation. Comparisons between the refining operations at the state owned TRINTOC refinery with those of Texaco had given government officials reasons for concern, and it was felt that Texaco was determined to keep out the government so that the discrepancies would not be exposed.

During the negotiations, Texaco received support from the U.S. embassy in Trinidad. On June 6, 1976, the Trinidad Guardian carried as its lead article a letter from U.S. ambassador Albert B. Fay to the government and to the heads of multinational corporations operating in Trinidad. The document, which was entitled "United States Government Policy Concerning Valuation of Expropriated Property," claimed to be reiterating and clarifying what the U.S. policy was concerning the

expropriation of property of its citizens by foreign governments.[38] The Trinidadian government was negotiating the purchase of 51 percent of Texaco. It had no plans to expropriate Texaco's property. However, by deliberately exaggerating the government's position, Ambassador Fay forced the government into a very defensive position. Eventually, the negotiations were allowed lapse. The government committee has never published a report of the negotiations. This was the first instance that a foreign company in Trinidad had stoutly refused to sell its properties, and the government backed down. The internal problems of the U.L.F. diverted domestic attention from the government's negotiations with Texaco, and the government was thereby relieved of significant pressure to maintain its original demand for equity participation since the U.L.F. had been the principal source of this pressure.

Towards the end of the 1970's, it became evident that Texaco was shifting its emphasis away from Trinidad. Its exploration effort was far less intensive than Trinidad-Tesoro. The volume of crude oil passed through its refinery began to decline. In fact, Texaco closed down a sizable proportion of its refinery capacity. Also, Texaco was not as aggressive as some of the other companies such as Amoco in bidding for new acreage.[39] In 1978, the O.W.T.U. accused Texaco of not acting in the "national interest" of Trinidad. The union charged that Texaco was running down its refinery, that is, it was not carrying out required equipment/machinery replacement. Further, the union pointed out, Texaco did not apply the same environmental standards in Trinidad as it did in the United States. The union also

charged that Texaco was putting its shipping facilities at the disposal of South Africa.[40] Given the fact that Trinidad has a large Black population, the government felt it had to do something. It instituted a commission of inquiry in 1979 into Texaco's operations. The commission, headed by Frank Rampersad, had not as of August 1983 submitted its report.

The Government and Amoco

The government has a special relationship with Amoco. No attempt has been made to buy into Amoco. In fact, the government has entered into a joint-venture with Amoco in establishing a fertilizer plant which utilizes natural gas produced by Amoco as feedstock.

Amoco's good relations with the government stem from the fact that, during the 1960's when the oil situation in Trinidad was depressed, Amoco stuck with its oil lease until it discovered oil in 1968. Because of the large expenses involved in its offshore exploration, special concessions were given by the government under the Aid to Pioneer Industries ordinance. Senior officials in the Ministry of Energy recount the numerous frustrations that Amoco experienced before it struck oil. The Ministry was constantly pleading with Amoco to stick with the exploration effort. The result was that when Amoco began commercial production, the government gave it a free hand.[41]

Amoco is the largest producer of crude oil in Trinidad. The crude oil, which is produced from Amoco's offshore wells on the east coast of Trinidad, is of very high quality--high A.P.I. gravity and

low sulphur content. The oil is shipped directly to Amoco's refineries in the United States. The Petroleum Act of 1969 and the accompanying Regulations require that a company which produces 100,000 barrels of oil per day should construct an oil refinery in Trinidad. This requirement has not been invoked in the case of Amoco, even though Amoco's production rate has exceeded the stipulated 100,000 barrels per day since 1975. There already exists an excess of refinery capacity in Trinidad and the government is reluctant to increase the country's refinery capacity. That Amoco is not required to refine its oil locally is an anomaly. Government officials explained that the local refineries are geared for low quality crude oil and that Amoco's crude oil fetches a higher price than the refined product of the local refineries. The government has accepted Amoco's participation in the joint-venture for the production of fertilizers as a sort of quid pro quo for relaxing the requirement of constructing a refinery.[42]

A very significant feature of Amoco's operations is the fact that the oil union is not as firmly entrenched there as it is in the other companies. Amoco has structured its operations to require a minimum of labor, most of which is retained through contractors. Amoco has proved to be a good corporate citizen because it has filled its ranks with Trinidad nationals, and the general manager has always been someone who understands the conditions of operations in Third World countries. However, the most important point here is that because of the way Amoco has structured its operations, the O.W.T.U. does not have the leverage here as it does elsewhere. Government officials

were jubilant in pointing this out, because they see the O.W.T.U. as the principal source of pressure on the government for the nationalization of the oil industry.

M.N.C. Clamor for a Revision of the 1974 Petroleum Taxes Act

The U.S.-based oil companies were not happy with the system of petroleum taxation established by the 1974 Petroleum Taxes Act. In particular, they objected to the use of reference prices in the determination of their tax liabilities. The companies argued that they were not getting tax credits in the United States for taxes paid to the Trinidadian government because the Internal Revenue Service of the United States did not regard the Trinidadian tax reference prices as market-determined prices. The result was an erosion of the profit position of the companies.

Company officials from Amoco and Texaco stated that they lobbied hard for a change in the tax system.[43] Officials at the Ministry of Energy noticed that the companies had slowed down their exploration and drilling activities, and did not seem to be showing much interest in continuing their operations in Trinidad.[44] In 1979, the government offered 11 blocks of exploration. Although 18 companies purchased the seismic data, only four companies submitted bids on three blocks. The state-owned company was the sole bidder on two of the blocks.[45] The lack of interest by the foreign companies alarmed the government to such an extent that it acceded to the companies' demand to amend the 1974 Petroleum Taxes Act.

In May 1981, the 1974 Petroleum Taxes Act was amended to introduce a new system of oil taxation. The principal features of the new system are:

(i) The prices used in calculating the companies' tax obligations are actual arms length or realized prices instead of reference prices.

(ii) A Supplemental Petroleum Tax is levied on the realized income of each company. The rate of this tax is 35% of gross income derived from land production and 60% of gross income derived from marine production. However, these computations are made after the deduction of a series of exceedingly generous capital and production allowances.

(iii) The rate of the Petroleum Profits Tax set at 47 1/2% in 1974 and adjusted to 50% in 1975 had been reduced to a corporation tax of 45%, which is currently applicable to non-oil corporations.

(iv) The much vaunted refinery throughput tax has been replaced by a general corporation tax. However, a Supplemental Refining Tax of $0.05 (U.S.) is imposed on each barrel of throughput for full refining, and $0.02 (U.S.) per barrel for light refining. The Supplemental Tax is deductible in computing the Petroleum Profits Tax.[46]

The new system of taxation was made retroactive to January 1, 1980. It was a clear capitulation to the oil companies. Its purpose was to induce the oil companies to remain in the country.

Despite the incentives provided by the new tax system, Texaco has been demanding even more. Texaco has discovered reserves of over 500

million barrels of heavy grade crude oil in the Soldado area, but refuses to begin production until further tax incentives are provided.[47]

Prospects for Nationalization of the Entire Oil Industry

Senior government officials have admitted that there are serious problems associated with the nationalization of Texaco and Amoco. The purchase price of both of these companies would run into billions of dollars, which the government can ill afford especially in light of the bleak future predicted for the industry in Trinidad. In the case of Texaco, most of the oil passed through the Pointe-a-Pierre refinery is brought in from other Texaco subsidiaries around the world. It would be extremely difficult for the Trinidadian government to import crude oil for this refinery, especially as there is a surplus of refinery capacity world wide. In fact, the government-owned refinery at Point Fortin operated at less than 60 percent capacity throughout 1982. Further, the products of the Texaco refinery are marketed in the United States by Texaco outlets. Nationalization of Texaco will not bring with it the benefits of this market. Again, the state-owned oil company, TRINTOC, has been experiencing serious marketing difficulties. Similar considerations bear on the possibility of nationalizing Amoco. Amoco is involved in crude oil production offshore in very deep waters. Trinidad does not have the skills necessary to run the Amoco operations. Marketing considerations are also pre-eminent. Amoco is a crude-short company, and ships the high grade crude oil from Trinidad to its U.S. refineries. The products

are then marketed by Amoco's outlets in the United States. Government officials point to the experience of Nigeria which is a considerably larger producer of crude oil than Trinidad. Nigeria has had serious difficulties in finding markets for its crude oil since 1981. Trinidad's problems in marketing would be amplified, if it enters the market as an independent, because of its infinitesimal supply. Officials are worried that, in the event of nationalization, both of these companies would lobby in the United State against Trinidad.

Further, government officials assert that the government is not motivated by any ideological commitment to nationalize. The P.N.M. government has taken a very pragmatic approach towards foreign enterprise. Operationally, this has meant exacting as much rent as possible without discouraging further investment. There is also a political dimension to this pragmatism. In this regard, this has meant doing the minimum necessary to mollify domestic radical groups and to prevent the mobilization of any broad-based coalition for nationalization.

The government is worried about any further increase in the state sector. Officials complain that the state sector has become a burden. Several state companies such as Caroni Ltd., B.W.I.A., and W.A.S.A., have been operating at a loss and must be heavily subsidized to stay afloat. The argument now is that if the government can get what it wants namely maximum rent, through legislation, there is very little point in owning plant and equipment and thereby increasing the state sector. The obverse of this situation is popular disenchantment with state ownership. Poor performance of state enterprises has made

people wary about further state ownership, especially of the oil industry, which is the current source of national prosperity. Of course, part of the reason for poor performance of state enterprise is the fact that many of the companies nationalized were failing companies. Compounding this has been the fact that senior managerial appointments have been made on the basis of political rewards rather than out of concern for efficiency. Opposition party leaders were very frank about their failure to mobilize support for nationalization. One socialist leader who has always supported the nationalization of the oil industry made this assessment: "Wherever the state has taken over an enterprise, it has performed poorly, lending credence that the government can't do it."[48] A similar comment was made by one of the leaders of the Trinidad and Tobago National Alliance. He said, "Government is so inefficient that the feeling has developed that anything the government touches is bound to fail."[49] He then proceeded to point out that state corporations have become a dumping ground for party hacks. As an example, he related that the present managing director of Caroni Ltd. used to be the Manager of the Central Marketing corporation. Under his stewardship, the performance of this latter corporation was disastrous. Yet he was promoted to the position of managing director of Caroni Ltd., even though he had no expertise on the sugar industry. The T.T.N.A. leader argued that the appointment was made on the basis of political criteria.

Another T.T.N.A. leader when asked whether he thought nationalization or the role of foreign enterprise in the economy was a

popular election issue, replied: "Nationalization as an issue has been discredited by the government. People get bored when the issue is raised. They think of B.W.I.A., Caroni Ltd., etc. and the inefficiency, mismanagement and corruption associated with it (nationalization)."[50]

Government officials, as well as officials of the P.N.M., were asked to define the conditions under which the government would nationalize the foreign-owned companies. The reply was uniform: only if the companies cut back on employment and investment would the government intervene. Yet, even under these circumstances, the government would negotiate some form of participation in order to inject the necessary capital to keep the enterprise going. A senior P.N.M. official pointed out that the government has never confiscated foreign property and that the government's relations with the multinationals have been based on "table negotiations."[51]

Government officials uniformly favor joint-venture arrangements with the multinationals. As a senior official at the National Energy Corporation explained, all Trinidadian industries are export-oriented. The government needs both the market that the multinational can provide as well as the access to technology that the joint-venture relationship will allow.[52] Government officials also favor joint-venture arrangements because they feel that such arrangements would just satisfy the opposition demand for national control. As evidence of this, they pointed to the fact that the O.W.T.U. has had better relations with Trinidad Tesoro than with any other oil company. I was directed to read an except of a speech made by the oil union leader

George Weekes and carried prominently in the Trinidad Tesoro annual report for 1978. In it Weekes said:

> Long live the industrial relations between Trinidad Tesoro and the Oilfields Workers Trade Union. May it reach the highest point, the very pinnacle. May it so shine around the country that others will see the light and follow in the path set by both parties so that we can have a better and more prosperous country--a Trinidad and Tobago that would be an example for the Caribbean and indeed the world.[53]

Conclusion

This chapter had shown how the Trinidadian government successfully managed economic nationalism within the country. It shows that nationalizations occurred in a piecemeal fashion and against companies that were failing, so that these actions were in fact rescue operations. Even so, the government in each case negotiated a generous settlement with the departing company in order to preserve the image of the country as hospitable to foreign investors. On the other hand, the government could use these acquisitions to appease domestic critics and to blunt the drive for the nationalization of the more successful oil companies, Texaco and Amoco. In this regard, the nationalization of the sugar industry paid significant political dividends because it contributed to the dismantling of an alliance between the oil and sugar unions. The poor performance of state-run industries convinced the general populace that further nationalizations are likely to prove disastrous.

This chapter also shows that there was a relative strengthening of the host government's bargaining position vis-a-vis the oil multinationals largely as a result of exogenously determined increases

in oil prices after 1973. The government ensured an increase in its share of the oil revenues by a manipulation of fiscal instruments. However, in 1981, the oil companies by threatening to leave Trinidad, forced the government to revise the tax law in their favor. This shows that while a minor mineral-producing country is interested in increasing its share of the revenues from the mineral industry, it also wants to ensure that it does not drive the multinationals away.

Notes

[1]Until his death in 1981, Eric Williams completely dominated the government of Trinidad. In 1970, for example, Williams was Prime Minister, Minister of Finance, Minister of Planning and Development, Minister of Local Government, Minister of Tobago Affairs, and Minister of External Affairs. Although he relinquished some of these Portfolios, he continued to dominate the government. See Ryan, Race and Nationalism, p. 447.

[2]Interview, Ministry of Energy, Port-of-Spain, Trinidad, February 16, 1982.

[3]O.W.T.U., Oilfields Workers Trade Union, p. 27.

[4]Government of Trinidad and Tobago, Report of the Commission of Enquiry into the Oil Industry of Trinidad and Tobago, 1963-1964 (London: Andre Deutsch, 1964), p. 1.

[5]Ibid., pp. 44, 46-62.

[6]Cited in N.A.C.L.A., "Oil in the Caribbean: Focus on Trinidad," Latin America and Empire Report 10 (October 1976), p. 25.

[7]Carl D. Parris, Capital or Labour? The Decision to Introduce the Industrial Stabilization Act in Trinidad and Tobago, Working Paper No. 2 (Jamaica: Institute of Social and Economic Research, University of the West Indies, 1965), p. 30.

[8]O.W.T.U., Oil In Turmoil and O.W.T.U. Memorandum on the Formation of a National Oil Co. (San Fernando, Trinidad: Vanguard Publishing Company Ltd., 1967).

[9]Ibid.

[10]Ibid., pp. 9-10.

[11]Trevor, M. A. Farrell, "In Whose Interest: Nationalization and Bargaining with the Petroleum Multinationals: The Trinidad and Tobago Experience," in Proceeding of the Conference on Contemporary Trends and Issues in Caribbean International Affairs (St. Augustine, Trinidad: Institute of International Relations, University of the West Indies, 1977), p. 16.

[12]Ibid., p. 17.

[13]Interview, Ministry of Energy, Port-of-Spain, Trinidad, March 16, 1982.

[14]Farrell, "In Whose Interest," pp. 18-19.

[15]Interviews, Ministry of Energy, Port-of-Spain, Trinidad, February 19, 1982 and March 2, 1982.

[16]Farrell, "In Whose Interest," p. 21.

[17]Ibid., p. 22.

[18]Caribbean Contact, April 1983, p. 8.

[19]Vernetta Calvin-Smith, The Legal Regulations of Foreign Investment in the Petroleum Industry of Trinidad and Tobago (Port-of-Spain, Trinidad: Superservice Printing Company Limited, 1979), pp. 44-45.

[20]4th Session Second Parliament Trinidad and Tobago, 18 Elizabeth II, Act No. 46 of 1969. See also "The Petroleum Regulations, 1970," Supplement to the Trinidad and Tobago Gazette 9 (February 19, 1970), p. 95.

[21]Government of Trinidad and Tobago, Third Five-Year Plan 1969-1973 As Approved by Parliament (Port-of-Spain, Trinidad: The Government Printery, 1969), p. 31.

[22]Ibid., p. 37.

[23]See Eric Williams, Capitalism and Slavery (New York: Capricorn Books, 1966).

[24]Caroni Limited, Directors' Reports and Accounts (Trinidad: Caroni Ltd., 1966 and 1967).

[25]Trinidad Guardian, April 19, 1970, p. 1.

[26]The situation was so serious that Eric Williams told his party convention on September 18, 1973, that he was considering resigning his office as Prime Minister. See "Address by Mr. Karl T. Hudson-Phillips at the Inauguration of the Organization for National Reconstruction on Sunday 1st February, 1981, at the Chaguaramas Convention Centre," pp. 12-15.

[27]Trinidad Guardian, December 4, 1973, p. 1.

[28]Interview, Trinidad and Tobago Oil Company, Port-of-Spain, Trinidad, March 18, 1982.

[29]Ibid.

[30]Ibid.

[31]3rd Session Third Parliament Trinidad and Tobago, 23 Elizabeth II, Act No. 22 of 1974. See also Calvin-Smith, The Legal Regulations, p. 105.

[32]Trevor M. A. Farrell, The Multinational Corporations, The Petroleum Industry and Economic Underdevelopment in Trinidad and Tobago, Ph.D. disseration, Cornell University, 1974, pp. 204-210.

[33]Interview, Ministry of Energy, Port-of-Spain, Trinidad, February 15, 1982.

[34]Interview, Texaco Port-of-Spain, Trinidad, April 16, 1982.

[35]Interview, St. Augustine, Trinidad, March 11, 1982.

[36]Interview, Port-of-Spain, Trinidad, April 19, 1982.

[37]Trinidad Guardian, January 25, 1976, p. 1.

[38]Trinidad Guardian, June 6, 1976, p. 1.

[39]Interview, Port-of-Spain, Trinidad, April 19, 1982.

[40]Interview, San Fernando, Trinidad, February 4, 1982.

[41]Interview, National Energy Corporation, Port-of-Spain, Trinidad, February 19, 1982.

[42]Interview, Ministry of Energy, Port-of-Spain, Trinidad, March 2, 1982.

[43]Interviews, Amoco, Pt. Galeota, Trinidad, April 1, 1982; and Texaco, Port-of-Spain, Trinidad, April 16, 1982.

[44]Interview, Ministry of Energy, Port-of-Spain, Trinidad, March 15, 1982. See also, "An Act to Amend the Petroleum Taxes Act, 1974," speech by the Minister of Energy and Energy-based Industries, Second Reading of the Bill, April 22, 1981.

[45]"Trinidad," World Oil 191 (August 15, 1980), p. 123.

[46]Fifth Session First Parliament Republic of Trinidad and Tobago, Act No. 5 of 1981.

[47]Express, April 8, 1981, p. 21.

[48]Interview, Port-of-Spain, Trinidad, April 1, 1982.

[49]Interview, Port-of-Spain, Trinidad, February 26, 1982.

[50]Interview, Port-of-Spain, Trinidad, February 26, 1982.

[51]Interview, Port-of-Spain, Trinidad, March 9, 1982.

[52]Interview, National Energy Corporation, Port-of-Spain, Trinidad, February 19, 1982.

[53]Trinidad Tesoro Company Limited, Annual Report 1978 (Port-of-Spain, Trinidad, The College Press, 1979), p. 21.

CHAPTER VII

CONCLUSION

A Summary of the Trinidadian Case Study

This study has focused principally on the relationship between the Trinidadian government and the foreign investors in the oil industry. It examined how the size of Trinidad's oil reserves has restricted the options available to the government in its dealings with the oil multinational. The study also examined how the role of foreign investors in not only oil but also in sugar, became an issue of domestic politics and how domestic politics impinge on the government's relations with the foreign companies. The principal arguments will now be summarized.

In Chapter II, using the following three indicators - contribution to G.D.P. at factor cost, contribution to total exports, and contribution to government revenues--we showed that the Trinidadian economy is highly dependent on the petroleum sector. As a result of the O.P.E.C. price regime in effect after 1973, all of these indicators rose, especially the contribution of the petroleum sector to G.D.P. and to the government revenues. Increased revenues from this sector have allowed the government to maintain a number of state enterprises and to heavily subsidize the standard of living of the Trinidadian people. Because of the essentiality of petroleum to the economy, the government has been reluctant to take any action that might result in a disruption of the flow of these revenues.

Chapter III showed that although the government of Trinidad maintains a significant presence in the oil industry by virtue of its ownership of one oil company and its controlling interest in another, the industry is dominated by the foreign companies, Amoco and Texaco. The chapter also showed that the government is heavily dependent on the foreign companies in all phases of the industry. Trinidadians have had much greater experience in land production. However, the shift in emphasis from land production to marine production has created a 'technological gap' in the Trinidadian oil industry because marine production requires technological expertise that is unavailable locally in Trinidad. The result is that Trinidad continues to rely on foreign companies, primarily Amoco in this case, to provide the expertise.

Also, to maintain its position as a refining center, Trinidad requires feedstocks of crude oil in larger quantities than are available locally. So far, it has been able to secure these through Texaco, which not only brings in crude oil from its subsidiaries in other parts of the world, but also markets the products through its outlets in the United States. This makes the government of Trinidad very dependent on Texaco.

In the general area of marketing, the government has recognized the usefulness of its relations with the multinational corporations. Amoco and Texaco market their petroleum and petroleum products. Trinidad-Tesoro sells the crude oil from its land fields to the state-owned company, TRINTOC, and its marine-produced oil to Amoco. The poor performance of the state-owned company and the marketing

difficulties of Nigeria, a major oil producer, have vindicated the wisdom of retaining the marketing outlets of the foreign companies.

The government also depends heavily on foreign companies in the exploration for oil. This is the area that has the greatest risk. The government can ill-afford the capital outlay such activity requires and it does not have the expertise or the experience that the major oil companies have developed.

Given the great dependence of the country on the foreign companies in all stages of the oil industry, it is the conclusion of this researcher that the nationalization of these companies has never made sense. Moreover, the early industrialization plan envisaged a central role for foreign investors and the government feared that nationalization would destroy the reputation of the country as having an investment climate that was hospitable to foreign investors. In fact, considerations about creating a stable investment climate dovetailed with domestic political reasons for imposing controls over the activities of organized labor.

And while the government has spoken of its interest in controlling the commanding heights of the economy, it has outlined no comprehensive plan to bring about this result. This goal must be seen as an attempt to placate its domestic supporters and mollify its critics. The actual behavior of the government toward foreign investors suggests that the government would be content to exact rent through fiscal means though it would prefer equity participation if this could be negotiated.

The preceding suggests a government with a fairly constricted set of options insofar as its dealings with the multinationals are concerned. For a long time the government was able to keep these dealings insulated from domestic politics and vice-versa. In fact, the ruling party in Trinidad had reason to assume that its continuation in office would not be affected by its dealings with the M.N.C.s. This was because such issues were only of secondary importance in Trinidadian politics.

As we argued in Chapter IV, ethnicity is the dominant variable of political life in Trinidad. The P.N.M. continues in power by presenting itself as the defender of the interests of the Negro majority. In this setting, all other issues or policies are relegated to a secondary position. Between 1961 and 1974, dissension and fragmentation within the parliamentary opposition party rendered it ineffective and the P.N.M. government was relieved of an important source of domestic pressure.

However, the challenge to governmental relations with the oil multinationals came from other quarters. The oil union leadership, which has always been prominent within the Trinidad left, recognized that the only way it could pose a serious challenge to the P.N.M. government was to build an inter-ethnic coalition between the Negroes and the Indians. The Negro working class is located in the oil belt and the Indian working class in the sugar belt. The strategy was to submerge ethnic differences by emphasizing common class interests. The foreign companies in the oil and sugar industries were portrayed as exploiters of the Negro and Indian working class. The call for the

nationalization of these foreign companies was central to a mobilization strategy aimed at bridging the ethnic gap between Negro oil workers and Indian sugar workers.

The oil union leadership tried to bring both categories of workers under its control in 1965, but this attempt did not succeed. Instead, the government used the occasion to isolate the oil union by alleging communist infiltration of that organization and to impose anti-strike legislation--the Industrial Stabilization Act. The oil union used the Black Power demonstrations of 1970 to press its call for the nationalization of the oil and sugar industries, and to emphasize the need for Negro-Indian unity. The government succumbed to pressure, but chose the sugar industry. The sugar industry was losing money and the owners wanted to unload it. Two years later, the government strengthened its control over organized labor by the enactment of the Industrial Relations Act, which prevented any union from organizing and representing workers in two or more "essential" industries.

The fragmentation of the parliamentary opposition party, the D.L.P., created a political vacuum that was filled by a leftist coalition consisting primarily of union leaders. In 1975, the oil and sugar unions, allied with the transportation workers union, established the United Labor Front. The idea was to present a common front in pressing their respective wage demands against the foreign companies. The organization grew into a political party. One of its principal demands was the nationalization of both the oil and sugar industries. Its performance in the 1976 election was impressive. The government

was afraid of this coalition. It took the nationalization demand very seriously. It moved to complete the nationalization of the sugar industry and initiated talks with Texaco on the question of equity participation in that company. However, the threat from the U.L.F. began to dissipate as the party became torn by ideological differences. After 1977, the party became ineffective as a parliamentary opposition. In the next election in 1981, old patterns of ethnic allegiance reasserted themselves. Relieved of this source of domestic pressure, the government did not pursue its negotiations with Texaco. Instead, it seems satisfied with collecting revenues by fiscal measure.

Thus, national ownership of foreign companies was not dictated by a comprehensive plan, nor was it motivated by the prospect of financial gain. National ownership occurred in piecemeal fashion in response to various domestic crises. The companies over which the government secured control projected future losses if they remained in the country and their owners wanted to unload them. This was certainly the case of British Petroleum in 1969 and of Shell in 1974. The government is very reluctant to nationalize Texaco and Amoco, despite strident demands for the nationalization of the entire oil industry. And this is where the nationalization of the sugar industry was a master stroke by the Trinidadian government.

The domestic groups in favor of nationalization of foreign companies made a combined call for the nationalization of the oil and sugar companies. Since the sugar industry was losing money, buying into the sugar company was not in any was threatening to foreign

investors. In 1970, in response to the Black Power call for nationalization, the government bought 51 percent of the ordinary shares in Caroni Ltd. However, when the crisis subsided, the government backed off from further action against any of the companies in oil and sugar. In 1975 when the United Labor Front called for the nationalization of the oil and sugar industries, the government proceeded to complete the nationalization of the sugar industry, but the oil industry was left in-tact. Again, the government showed that it was responding to nationalistic demands, but it chose a company that wanted to unload its assets.

The nationalization of the sugar industry contributed to the fragmentation of the United Labor Front. The subsidization of the sugar industry by the government set the stage for a more collaborative relationship between the government and the leadership of the sugar union. The continued injection of capital into the sugar industry depends on the uninterrupted flow of revenues from the oil industry. And the sugar union did soften its position on the issue of nationalization of the oil industry. By nationalizing the sugar industry first, the government has driven a wedge between he leadership of the sugar union and that of the oil union and has blunted the overall drive for the nationalization of the oil industry.

The nationalizations that have taken place in the oil and sugar industries, and the control imposed on organized labor amount to an effort on the part of the government to manage economic nationalism in the country. The government has had no intention of completely nationalizing the oil industry which is recognized as the "golden

goose" of the economy. In its dealings with the multinationals in the oil industry, the government's principal goal has been to exact the maximum amount of revenues without driving the companies away.

The first move in this direction was the enactment of the Petroleum Act of 1969. In addition to a modest increase in the fiscal obligations of the companies, the law reduced the submarine depletion allowance from 20% to 10% of the gross value of production. What motivated this change was the large oil discovery by Amoco off the east coast of Trinidad in 1968 and the expectation of increased drilling activity in submarine areas thereafter. However, the major re-negotiation of the government's position with the oil companies occurred after the O.P.E.C. price increase in 1973. The government re-wrote the petroleum tax law in 1974 in order to take advantage of this windfall. The justification offered by the government was that it was merely following an international precedent. It was asking from the oil companies no more than they were required to pay elsewhere. In addition, by an amendment to the Petroleum Act of 1969, the government required any company beginning exploration and production operations after November 1, 1974 to enter into a production-sharing contract with the government.

The oil companies were not happy with the tax regime established by the 1974 Petroleum Taxes Act and lobbied hard for a change. Their bargaining position was strengthened by the fact that the petroleum production in Trinidad was declining after 1978, and the trend was expected to continue unless new discoveries were made. To apply pressure on the government, the companies slowed down their

exploration and drilling activities and in general demonstrated a lack of interest in continuing their operations in Trinidad. This tacit threat to uproot alarmed the government and it acceded to the companies' demand for a change in the Petroleum Taxes Act of 1974. The result was a new system of taxation that is much more favorable to the oil companies. Faced with the possibility of a withdrawal by the companies, the government yielded to their demands and in May 1981, a new system of petroleum taxation was enacted and made retroactive to January 1, 1980. Here we see that while the government is interested in increasing its share of the oil revenues, it is also interested in keeping the companies operating in the country.

Trinidad as a Minor Mineral-Producing Country

This study focuses on the small mineral-producing country whose economy depended critically on its mineral-exporting sector. In Chapter I we outlined a set of propositions which we argued governed the relations between the government of a small mineral producing country and the multinationals involved in the extraction of the mineral, and also the interpenetration of those relations and the domestic politics of the country. We will now examine how the case of Trinidad fits into this set of propositions.

The propositions discussed in Chapter I are listed as follows:

1. Whether a marginal source of raw materials is developed or not depends on the essentiality of the commodity to the advanced industrialized countries.

2. Unlike the case of a country with large reserves, the foreign investor in a minor mineral-producing country can manipulate the existence of risk in its operations to keep the host-government's bargaining position weak.
3. The small size of the mineral reserves adversely affects the development of indigenous expertise in the exploration, production, and marketing of the mineral.
4. It follows from Proposition 3 that the host country's initial dependence on the foreign investor's technological, managerial, and marketing expertise is likely to be maintained for the duration of the concession agreement and that nationalization of the foreign investor is not a feasible option.
5. Nationalization as a host government option is also deterred by the following considerations:
   (i) the cost of compensation compared to the expected flow of profits from the industry under conditions of local ownership and management;
   (ii) developmental pressures and the need for a steady stream of revenues from the mineral industry;
   (iii) the vulnerability of the host government to sanctions from the foreign investor's home government, as well as from the international investing community.
6. The threat by the foreign company to uproot in the short-term is much more potent against the small mineral-producing country than it is against a major producer.

7. In its bargaining with the multinational corporation, the host government of a minor mineral-production country is motivated by two principal goals:
   (i) to try to increase its share of the revenues generated by the mineral industry;
   (ii) to keep the multinational operating in the country.
8. As the foreign-controlled industry increases in importance to the economy, that is, as the size of its contribution to the economy increases, it will become more and more of an issue of domestic politics. The ability of the host government to achieve its principal goals, outlined in Proposition 7, will depend on its ability to manage its domestic politics.

Proposition 1 receives mixed support on the basis of the evidence generated from the Trinidad case study. There is no doubt that Trinidad is a marginal source of petroleum. In the early 1960s, two companies--British Petroleum and Shell--were preparing to leave Trinidad. They argued that declining production and poor prospects for new discoveries made Trinidad unattractive for future oil investment. Yet during the same time period, Amoco, a relatively new company in Trinidad was intensifying its exploration efforts off the coast of Trinidad. Amoco eventually made a major oil discovery in 1968. Since that time, other companies have been conducting exploration for oil in Trinidad (see Chapter III). Even though Trinidad is a marginal source of petroleum, the essentiality of this

commodity to the advanced industrialized countries has ensured that this marginal source will be fully tapped.

The evidence from the Trinidadian case substantiates Proposition 2. This study has shown that until 1973 the bargaining strength of the government vis-a-vis the oil companies was very weak. After 1973, however, the new role assumed by the major producing countries strengthened the Trinidadian government relative to the foreign oil companies operating in the country. The government seized this opportunity to renegotiate its position with the oil companies and the readjustment was reflected in the Petroleum Taxes Act of 1974. The foreign oil companies were not happy with the new tax system and lobbied for a change. In order to pressure the government to change the law, the companies began to manipulate the existence of risk in their operations by slowing down their exploration and drilling activities. They were successful in this overall effort because most of the early seismic studies and exploration work were conducted by the foreign oil companies and the data have not been independently checked by the government. Eventually, the government changed the petroleum tax system to make it more favorable to the companies.

Propositions 3 and 4 are strongly supported by this study. Public knowledge of the industry as likely to be one of short duration makes it unattractive as a career opportunity for university students. The result is that within Trinidad there exists a shortage of petroleum engineers, petroleum inspectors and geologists (see Chapter III). Two developments in petroleum production in Trinidad have accentuated the deficiency in indigenous expertise. First, declining

land production required the use of enhanced recovery methods. Second, the shift in emphasis from land to offshore production required a new form of technology. Neither the skills in enhanced recovery methods nor those in marine exploration and production were available locally in Trinidad. Thus, the country's dependence on the foreign companies was maintained.

In the area of marketing, the Trinidadian government did not become involved in marketing until it nationalized Shell in 1974. Thereafter, the Shell assets were operated by the state-owned company, TRINTOC. The poor performance of TRINTOC in the area of marketing has alerted the government to the enormity of the marketing problems it would face if it nationalized the entire industry. The result is a further dependence on the foreign companies. And given this continuing dependence on the foreign companies for technological and marketing skills, nationalization of the oil industry is not a realistic option.

Proposition 5 is also supported by the Trinidadian case study. The Trinidadian government has never attempted to acquire equity in Amoco and its negotiations with Texaco on the question of equity participation was short-lived. There is, therefore, no available figure representing the fair value of the assets of Texaco and Amoco in Trinidad. However, as stated in Chapter VI, government officials estimate that the cost of acquisition of these companies would run into billions of dollars and the government could not afford this especially in light of the bleak future of the industry.

Also, as we discussed in Chapter II, the state heavily subsidizes a large number of public enterprises, as well as the standard of

living of the general population. Its ability to continue this role depends on the steady flow of revenues from the oil industry. There is a strong reluctance at the upper levels of government to take any action against the foreign oil companies that would result in a disruption of the flow of these revenues. Given the country's dependence on the foreign oil companies, nationalization is seen as likely to result in a disruption in the flow of revenues to the government and is therefore not a popular consideration.

Trinidad's vulnerability to pressure from the home government of the multinational was demonstrated in 1976 during the government's negotiations with Texaco over the question of equity participation in the company. The U.S. Ambassador to Trinidad publicly exerted pressure on the Trinidadian government and the latter succumbed. Also, in its dealing with both the foreign investors in the country and organized labor, the government of Trinidad has tried to build a reputation for the country as one that provides a stable investment climate. Actions against the multinationals that might be perceived as radical by prospective investors are carefully avoided.

Support for Proposition 6 can be inferred from the behavior of the Trinidadian government in those instances when foreign oil companies were actually withdrawing or seemed to withdrawing. In 1969 when British Petroleum offered its assets in Trinidad for sale, the government panicked. It tried to persuade British Petroleum to stay. When this failed, it tried to get Shell and Texaco to buy British Petroleum's assets, but these companies declined. The government then purchased those assets in a joint-venture arrangement with Tesoro of

Texas. Tesoro was able to exploit the government's state of panic to obtain exceptionally generous terms. Further, in the late 1970's the oil companies demanded a change in the petroleum tax system and backed up this demand by a curtailment in exploration and drilling activities. The government feared that the companies might be preparing to withdraw from the country and acceded to their demands in the hope of keeping them operating in the country. These types of threats, that is, threats of withdrawing from the host country, have not been reported in any of the studies of major mineral producing countries--the cases of copper in Chile and of oil in Venezula for example. In fact, conflict arose in these cases because the host governments wanted the foreign companies to leave while the latter wanted to remain.

The preceding discussion supports the claim in Proposition 7 that one of the principal goals of the host government of a minor mineral-producing country is to keep the multinational operating in the country. The Petroleum Act of 1969 and the 1974 Petroleum Taxes Act of the host government's other goal, that is, to try to increase its share of the oil revenues. Although the 1981 Petroleum Taxes Act was a capitulation to the oil companies, the government ensured that it continued to get a sizable share of the revenues resulting from high oil prices.

Finally, support for Proposition 8 can be inferred from the action taken by the government of Trinidad to ward off the nationalization of Texaco and Amoco. The cumulative effect of all of the actions taken by the government against domestic labor, and the

nationalization of British Petroleum, Shell, and Caroni Ltd., had been to manage economic nationalism in the country.

Dependency, Bargaining, and the Trinidad Case Study

In this section, we will examine the empirical fit of the Trinidad case study with the dependency and the bargaining models discussed in Chapter I. We will show that while the Trinidadian case study is illustrative of some of the propositions identified with the dependency and the bargaining models, it diverges from these models in one major respect, that is, it suggests that for a minor mineral-producing country, nationalization of the entire mineral industry is virtually foreclosed as a viable economic option.

As was noted in Chapter I, the dependency model views the multinational corporation as a mechanism by which center countries exploit the economies of periphery countries. Corporate decision-making is centralized in the home country of the multinational and is preoccupied with global profit maximization. The multinational's decision-making reflects its insensitivity to the developmental priorities of the periphery countries in which it operates. When the minerals of a periphery country are exhausted or when the market for its agricultural commodities disappear, the multinational corporation would abandon the developing country to its own devices.

Based on the above considerations, the Trinidadian case study fits the dependency model very well. In 1965, Texaco's Chairman of the Board pointed out the global emphasis of the company's planning (see Chapter VI). He wanted to make Trinidadian officials understand

that Texaco could increase or decrease its production and refining capacity at will, regardless of what happened in the Trinidad oil industry. Also in 1965, the multinationals rebuffed the efforts of the government to enlist their active collaboration in broadening the country's economic base by establishing backward and forward linkages with the oil and sugar industries.

Further, when the oil reserves in Trinidad appeared to be dwindling, some of the oil multinationals began to pull out. British Petroleum left in 1969 and Shell sold its assets to the Trinidadian government in 1974. This pattern was also true in agribusiness. As profits began to fall in the sugar industry, the British multinational company, Tate and Lyle, began to contemplate unloading its assets and finally sold out to the government in 1975. Thus far, the Trinidadian case study fits in with the predictions of the dependency model.

However, the dependency approach advocates the nationalization of the foreign companies by the periphery country as an essential part of the overall effort to rupture the structure of dependency, and this recommendation poses serious problems for a minor mineral-producing such as Trinidad. The dependency approach does not elaborate on the prospects for long-term development in the case of a marginal mineral economy which has nationalized its mineral industry. This case study, on the other hand, shows that Trinidad cannot draw on indigenous expertise to replicate the range of services currently being provided by the multinationals.

The Trinidadian case study highlights two other deficiencies of dependency theory. First, dependency theory underestimates the

ability of periphery countries to alter the terms of exchange with center countries and with the latter's intermediaries, the multinational corporations. The countries in the O.P.E.C. cartel were phenomenally successful in this regard, and even marginal petroleum producers such as Trinidad benefited. In fact, after 1973, the Trinidadian government was successful in renegotiating its position with the oil multinationals.

The other deficiency of dependency theory is that it underestimates the ability of the periphery country to promote its own development. In the case of Trinidad, the government used the windfall revenues from the oil industry to expand its industrial infrastructure to include several petrochemical industries and an iron and steel factory. Contrary to dependency theory, therefore, foreign investment has not, on balance, been detrimental to the development of Trinidad.

The bargaining model, discussed in Chapter I predicts a cumulative shift of bargaining power from the multinational to the host country. The shift is due to the ability of the host country to develop the indigenous expertise that would put it in a position to dispense with the services of the multinational altogether. The Trinidad case can be seen as a special application of the bargaining model.

The initial resource endowment position of the country was small and so its initial bargaining position vis-a-vis the multinationals was weak. However, because its reserves position was never

substantially upgraded compared to other oil-producing countries, the country's bargaining position remained weak.

Further, the country's dependence on the multinationals for technical, managerial and marketing expertise has been maintained. It is unlikely that the country will develop the full complement of indigenous expertise before the resource is exhausted. This constrains the host government to pursue two principal options: to try to increase its share of the revenues from the industry but also to provide the multinationals with sufficient inducements to keep them producing. Under these circumstances, the threat by a multinational to withdraw from the country is potent and can be used to force concessions from the host government and the Trinidadian case study illustrates this.

While there has been no cumulative shift in bargaining power to the Trinidadian government, the latter has experienced some improvement in its position. In 1970, with a mob at its heels, the Trinidadian government was able to increase the corporation tax that the foreign companies pay. Also, in 1973, the government's position was strengthened by the actions taken by O.P.E.C. The government was able to achieve substantial gains by an overhaul of the petroleum tax system in Trinidad. However, in 1981, the government was forced to make concessions to the foreign oil companies which gave the impression that they would leave if these concessions were not forthcoming. Thus shifts in the bargaining power between the oil companies and the Trinidadian government are more accurately described

as oscillatory, in contrast to the cumulative shifts predicted by the bargaining model.

Finally, both of these models--the dependency and the bargaining modes--suggest that nationalization might maximize the gains to the host government at some point. The Trinidadian case study has shown that for a minor mineral-producing country, nationalization is not a prudent economic option.

Wider Applicability of the Trinidadian Case Study

This study has examined the opportunities available to a small-mineral producing country to improve its bargaining position with the multinationals involved in the mineral industry. Trinidad, as a minor petroleum producer, has been used as an illustrative case study. The question that arises is: To what extent is Trinidad typical of the small mineral-producing country, whose economy is highly dependent on the export of its mineral?

Three factors determine the nature of host government-M.N.C. relations and the interpenetration of these relations and domestic politics. These factors are:

(i) the small resource-endowment position of the host country;

(ii) the size of the contribution that the foreign-dominated mineral industry makes to the economy;

(iii) international market conditions as reflected in the price of the mineral.

The small size of the country's mineral reserves determine the range of possible outcomes of the bargaining that takes place between

the host government and the M.N.C. It explains why host country dependence on the M.N.C. for technological, managerial, and marketing expertise in maintained for the duration of the concessions agreement. It explains why nationalization of the M.N.C. is not a prudent economic option for the host government, in contrast to the recommendations of the two models discussed in Chapter 1.

However, nationalizations are not always motivated by the prospect of economic gain. Domestic political pressures can cause a government to demand from the M.N.C. more than its true bargaining position warrants or than economic prudence dictates. What makes the foreign-controlled mineral industry an issue of domestic politics is the size of its contribution to the host country's economy. As the size of this contribution increases, the visibility of the foreign companies increases. If the foreign-controlled mineral industry dominates the economy, it will attract the attention of domestic opposition groups which will try to increase their domestic support by advocating more nationalistic positions vis-a-vis the foreign companies. Thus, the factor that decides the degree to which the host government-M.N.C. relations intersect with the domestic politics of the country is the size of the contribution that the mineral industry makes to the economy.

We argue that these two factors--the small size of the country's mineral reserves and the size of the mineral sector's contribution to the economy--affect all minor mineral-producing countries similarly.

The third factor--the world market price of the mineral--determines whether or not the host government can make improvements in

its share of the revenues. An increase in the world market price of the commodity allows the government the opportunity to increase its share of the revenues. A drop in the world market price could force the government to accept a smaller proportion of the revenues. The world market price also affects the size of the contribution that the mineral industry makes to the economy. An increase in the size of this contribution increases the visibility of the foreign companies in the industry and increases the probability that host government-M.N.C. relations would become a major issue of domestic politics.

Here it could be argued that Trinidad is different from most other minor mineral-producing countries because of the nature of its mineral: petroleum. This is partly true. Petroleum has proved to be more suitable for cartelization than most other commodities, and as a result, fetch a much higher price per unit. So that while price fluctuations of other commodities tend to be the norm, petroleum prices have been kept high for an extended period of time and will probably remain high. Yet if we examined the case of Trinidad prior to the 1973 petroleum price increases (See especially Tables II-3 and II-4), we will find that the petroleum industry dominated the economy then. Also, the role of the foreign companies in that industry had become a major issue of domestic politics. After 1973, increased oil revenues increased the visibility of the foreign oil companies. The basic argument of the study is therefore not significantly altered by the fact that Trinidad is a petroleum producer, and we claim its applicability to other minor mineral-producing countries, whose economic well-being depend on their mineral sectors.

APPENDIX I

ELITE QUESTIONNAIRE

1. How would you characterize the relations between the government and foreign oil companies?

2. Do you think that the government's dealings with the foreign oil companies, or with foreign enterprise in general, are dictated by a political ideology?

3. Why was British Petroleum nationalized?

4. Why was Shell nationalized?

5. Why has the government not nationalized the entire oil industry?

6. Do you think that Trinidad has the skills--technical and managerial--to run the oil industry, that is, to dispense with the services of the foreign companies?

7. What domestic groups would you identify as actively advocating the nationalization of the oil industry?

8. Why was the sugar industry nationalized?

9. (a) To what extent has the government's experience with the sugar industry affected its handling of the oil industry?

   (b) How about the performance of state-owned enterprises in general, what impact has this had on the government's dealnigs with the oil companies?

10. (a) What impact did the Black Power Revolution have on governmental policy towards foreign enterprise?

    (b) How about the 1974-75 labor upheaval, did this affect the way in which the government dealt with foreign enterprise?

11. What role, if any, have domestic labor unions played in shaping governmental policies towards the foreign companies?

12. Can you assess the influence that the P.N.M. has over labor in this country?

13. Why did the government enact the Industrial Stabilization Act? How about the Industrial Relations Act?

14. Is nationalization, or the role of foreign enterprise in the economy, a popular election issue?

15. Can you define the circumstances under which you think the government would nationalize the oil industry?

APPENDIX II

LIST OF INTERVIEWEES

Abdullah, David--Research and Education Officer, O.W.T.U.

Ali, Basharat--National Energy Corporation

Barnes, Barry--Marketing Officer, TRINTOC

Barsotti, Frank--Permanent Secretary, Ministry of Finance; Chairman of the Board of Directors, Caroni Ltd.

Beraux, H.S.K.--Legal Adviser, Trinidad Tesoro Oil Company

Best, Lloyd--Senator, Leader of TAPIA

Best, Winston--Administrative Officer of the Party Secretariat, P.N.M.

Bisoondath, C.--Production Manager, Trinidad Tesoro Oil Company

Boopsingh, Trevor--Permanent Secretry, Ministry of Energy

Bruce, N.--Professor and Head of the Petroleum Engineering Department, U.W.I., and a consultant to the government on oil matters.

DaSilva, Vernon--Tax Officer, Ministry of Energy

Davis, Stephen--Senior Reservoir Engineer, Ministry of Energy

Defreitas, Rodney--Director, Santa Fe Drilling Company

Diaz, Nuevo--Vice-President, A.T.S.E.F.W.T.U.

Fernandes, Ovid--Senior Petroleum Adviser, Ministry of Energy

Gilbert, Vernon--Chief Petroleum Engineer, Trinidad Tesoro Oil Company

Haraksingh, Kusha--Lecturer, U.W.I.; former U.L.F. Senator

Harinanan, Austin--Director of Economic and Industrial Research at the Industrial Court

Hudson-Phillips, Karl T.--Leader of the Organization for National Reconstruction; former Attorney General of Trinidad

Layne, Lugard--Petroleum Engineer, Trinidad Tesoro Oil Company

Lequay, Alloy--Former Leader of the D.L.P.

Lookin, Frank--Assistant Chief Petroleum Engineer, Ministry of Energy

Maharaj, Jainarine--Research and Education Officer, Trinidad Labor Congress

Manning, Patrick--Mininster of Energy

Marshall, Max--Officer of Government Relations, Texaco

Mends, Rupert--National Energy Corporation

Mohammed, Kamaluddin--Minister of Agriculture

Morris, Oswald--Executive Director of the Trinidad and Tobago Chamber of Commerce, (Public Relations Officer, Texaco - on leave)

Panday, Basdeo--Opposition Leader; Leader of the U.L.F.; President of the A.T.S.E.F.W.T.U.

Pantin, Anthony--His Grace, The Archbishop of Trinidad and Tobago

Pierre, Lennox--Legal Adviser, O.W.T.U.; former Leader of the W.I.I.P.

Ramlogan, Vishnu--Lecturer, U.W.I.; former U.L.F. Senator

Ramlakhan, Tensingh--Petroleum Inspector, Ministry of Energy

Rampersad, Frank--President , N.I.H.E.R.S.T.

Renwick, David--Journalist, former Editor of the Express

Robinson, A.N.R.--Leader, Democratic Action Congress; former Deputy-Prime Minister

Rogers, Val--Consultant to the Chamber of Commerce on Trade and Development

Sahadeo, Indar--Lecturer, Cipriani Labor College

Singh, Rampartap--Former President, A.T.S.E.F.W.T.U.

Singh, Ranjit--U.W.I. lecturer; Member of the Board of Directors, Caroni Ltd.

Sudama, Trevor--Member of Parliament, U.L.F.

Walrond, Kermit--Operations Manager, Amoco

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I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.

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